ALCOHOL AND DRUG ABUSE DIVISION
DEPARTMENT OF INSTITUTIONS
STATE OF MONTANA

Report on Audit

December 1978

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA
STATE CAPITOL • HELENA

ALCOHOL AND DRUG ABUSE DIVISION
DEPARTMENT OF INSTITUTIONS
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December 1978

Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59601

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

DEPARTMENT OF INSTITUTIONS

Lawrence M. Zanto, Director

Curt Chisholm, Assistant to the Director

Michael A. Murray, Alcohol and
Drug Abuse Division, Administrator

MONTANA ADVISORY COUNCIL ON ALCOHOL AND DRUG DEPENDENCY

Larry Fasbender	Fort Shaw
Gerald B. Hall	Great Falls
Joseph Plumage	Browning
Peggy Skelton	Missoula
Katherine A. Hanrahan	Glendive
Martha S. Herlevi	Red Lodge
Sharon Pettit	Helena
Robert L. VanHorne, Ph.D.	Missoula

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full replies of the Department of Institutions, the Department of Community Affairs, and the Department of Revenue are included in the back of this report.

SUMMARY OF RECOMMENDATIONS (Continued)

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122

MORRIS L. BRUSETT, C P A
LEGISLATIVE AUDITOR

ELLEN FEAVER, C P A
DEPUTY LEGISLATIVE AUDITOR
JOHN W. NORTHEY
STAFF LEGAL COUNSEL

January 1979

The Legislative Audit Committee
of the Montana State Legislature:

In response to a Legislative Audit Committee directive in September 1978, the Office of the Legislative Auditor initiated a review of Montana's statewide alcoholism treatment program. This directive reflected concerns expressed by legislators and alcoholism treatment service providers. Herein transmitted is the report on our review of the Alcohol and Drug Abuse Division of the Department of Institutions' administration of Montana's alcoholism treatment program.

Our review focused on the division's administration of the statewide alcoholism treatment program. We did not review the administration of the Southwestern Montana Drug Program. We audited the division's statement of expenditures included on page 66 of this report. This financial statement includes expenditures for the Southwestern Montana Drug Program since the alcohol and drug treatment program expenditures are accounted for together. Other financial information we

used in our review of the statewide alcoholism treatment program is unaudited. This information was provided to us by officials from local government, state agencies, and alcoholism treatment providers.

Our review did not encompass financial audits or treatment effectiveness reviews of individual alcoholism treatment providers. When we began our work we intended to use client and counselor costs data submitted to the division by providers and treatment costs to construct comparisons of the cost-effectiveness of individual programs. The data submitted to the division included admissions, discharges, readmissions, lengths of treatment, client hours, counselor hours, and client status at completion. This information is part of a formal reporting system used by the division to collect alcoholism treatment data. Using this data and the costs of treatment for fiscal year 1977-78, we planned to develop measures of cost-effectiveness for each program.

To use cost of treatment as a factor in formulating effectiveness indicators such as cost per patient day, cost per counselor hour, etcetera, the total cost for treatment is needed. The division does not have exact expenditure information for all treatment programs. Providers which use federal, county, city, and private moneys to treat alcoholism are not required to report all expenditures to the division.

During our audit, we also noted coding errors in the reported client data, conflicting reports on the number of admissions and discharges for the same programs, programs not reporting alcoholism treatment information, and inconsistencies in reporting among programs. Because of these inconsistencies and deficiencies in available cost and client data, we could not reliably formulate effectiveness indicators. It was not feasible to compare individual alcoholism treatment program costs or performances. The data collection and reporting problems are specifically addressed in the report on pages 42-46.

We wish to express our appreciation to the director of the Department of Institutions and his staff for their cooperation and assistance during our review. We also thank officials from local governments, state agencies, and alcoholism treatment providers for their assistance.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett, C.P.A.
Legislative Auditor

Chapter I

ALCOHOLISM TREATMENT IN MONTANA

HISTORY OF STATE INVOLVEMENT

In 1947 the Montana legislature, recognizing alcoholism as a problem, established the Commission on Alcohol and Drug Dependence. This commission was to study and make recommendations on the treatment of alcoholism. The Montana Commission on Alcohol and Drug Dependence was abolished in 1971 pursuant to Executive Reorganization. The commission's responsibilities were transferred to the Department of Health and Environmental Sciences. The department received funds from the National Institute on Alcohol Abuse and Alcoholism (NIAAA) to develop the state's first alcoholism treatment plan.

In 1974 the Montana legislature adopted the Uniform Alcoholism and Intoxication Act declaring that:

> "It is the policy of the state of Montana to recognize alcoholism as an illness and that alcoholics and intoxicated persons may not be subjected to criminal prosecution because of their consumption of alcoholic beverages, but rather should be afforded a continuum of treatment in order that they may lead normal lives as productive members of society." (Section 80-2708, R.C.M. 1947.)

In 1975 the legislature transferred the responsibility for alcohol and drug abuse treatment to the Department of Institutions. The Department of Institutions then established the Addictive Diseases Bureau within the department. In 1977, this bureau became the Alcohol and Drug Abuse Division (ADAD).

The Alcohol and Drug Abuse Division operates with the guidance of the Montana Advisory Council on Alcohol and Drug Dependency. The council is composed of eight members appointed by the Department of Institutions' director and approved by the Governor. The primary duties of the council are to:

1. Review and make specific recommendations in the Montana Comprehensive Plan for the prevention, treatment, and control of alcohol abuse, alcoholism, drug abuse, and drug addiction.
2. Generally advise the department in its comprehensive planning, evaluation activity, and setting priorities.
3. Review and make recommendations on receipts and expenditures of all grant moneys.

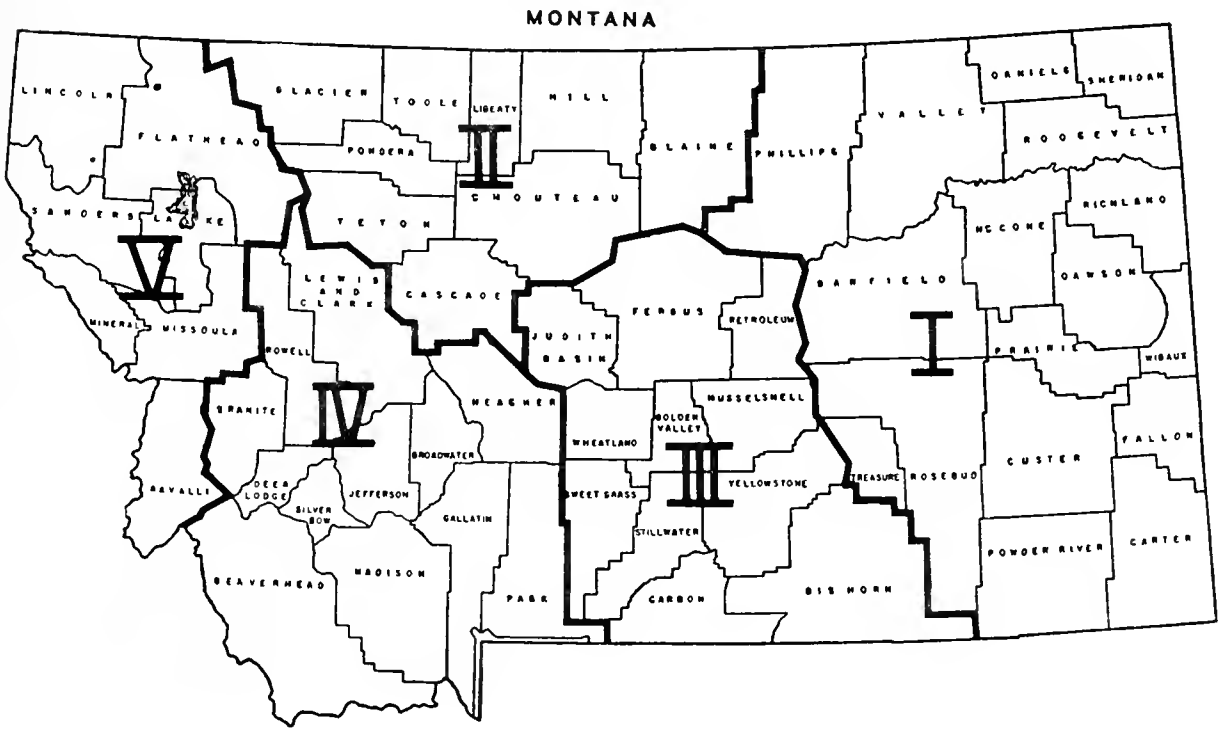
The ADAD administers the statewide alcohol and drug treatment program. The division derives its funding from the earmarked portion of the Montana beer and liquor taxes, the federal and private revenue fund, and the general fund. The federal and private revenue fund consists of moneys received through the U.S. Department of Health, Education, and Welfare and the U.S. Department of Justice.

The division's expenditures for fiscal year 1977-78 are summarized below:

Fund	Amount
General Fund	$ 109,176
Earmarked Revenue	1,121,119
Federal & Private Revenue	1,187,552
Total	$2,417,847

Alcoholism Treatment Services

The Alcohol and Drug Abuse Division is responsible for the statewide treatment of alcoholism. Numerous groups, organizations, corporations, and hospitals, including Galen State Hospital, provide alcoholism treatment services. For management purposes these alcoholism treatment services are categorized by the division according to geographic region. The following map illustrates the geographic regions for alcoholism treatment programs.



According to the fiscal year 1978-79 state plan, the number of alcoholics is directly related to the population. Using the division's alcoholism rate percentages and a population study prepared by the Department of Community Affairs, we estimate that there are more than 80,000 alcoholics or alcohol abusers in Montana. Table 1 summarizes the estimated alcoholic population for each of the five regions.

Estimated Number of Alcoholics in Montana

	Region I	Region II	Region III	Region IV	Region V	Total
Population	97,100	147,300	148,100	180,600	172,800	745,900
Total Estimated Number of Alcoholics	12,974	18,872	16,023	16,370	17,476	81,715
Estimated alcoholics percentage of total population	13%	13%	11%	9%	10%	11%

TABLE 1

Source: Compiled by the Office of the Legislative Auditor.

To determine available alcoholism treatment services, we surveyed counties, cities, and towns. We also interviewed state officials and alcoholism treatment program directors. By oral and written confirmation, we identified 52 alcoholism treatment programs in the state as of November 3, 1978. These do not include

Alcoholics Anonymous programs. The 52 programs identified by region and their approval status are summarized in the following table.

Programs Identified Per Region

Region	Total Number of Programs	Number of Approved Programs	*Number of Satellites	Number of Unapproved Programs
I	11	10	7	1
II	8	5	5	3
III	11	6	3	5
IV	11	10	3	1
V	11	9	3	2
Totals	52	40	21	12

*All satellites are administered and funded through approved programs.

TABLE 2

Source: Compiled by the Office of the Legislative Auditor.

An approved alcoholism treatment program meets the eligibility criteria established by the Alcohol and Drug Abuse Division. An approved program is eligible for funding through the discretionary moneys administered by the division and/or by county liquor tax revenues. An unapproved program does not meet the division's approval standards or is a program that has never requested approval from the division.

The services provided by the various treatment programs include medical detoxification, inpatient care, nonmedical detoxification, intermediate care, outpatient services, and information and referral. The

following table illustrates the services available in each region of the state.

Type of Service by Region
For All Programs Identified*

Region	Medical Detox.	Nonmed. Detox.	In-patient	Inter-mediate	Out-patient	Information and Referral
I	1	2	1	1	15	2
II	1	5	1	5	12	0
III	1	1	1	1	12	2
IV	2	1	2	5	11	0
V	1	2	1	3	11	2

*Some programs provide more than one type of service.

TABLE 3

Source: Compiled by the Office of the Legislative Auditor.

Definitions of these alcoholism treatment services are listed below.

Detoxification: Services required for the treatment of persons intoxicated or incapacitated by alcohol and/or drugs. Detoxification involves clearing the system of alcohol and/or drugs and enabling individual recovery from the effects of intoxification. These services include screening of intoxicated persons, the counseling of clients to obtain further treatment, and referral of detoxicated persons to other appropriate treatment programs. Medical detoxification refers to short-term treatment in a medical setting, while non-medical detoxification refers to short-term treatment in a social setting.

Inpatient Care: Treatment for persons requiring 24-hour supervision in a hospital or suitably equipped medical setting. Services include medical evaluation and health supervision; alcoholism education; organized individual, group, and family counseling; discharge referral to necessary supportive services; and a client follow-through program after discharge.

Intermediate Care: Treatment for persons requiring 24-hour supervision in a community based residential setting. Treatment includes a minimum limited medical evaluation, alcoholism education, organized individual, group and family counseling, opportunity for relearning social skills, discharge referral to necessary supportive services, and discharge client follow-through.

Short-term intermediate care: Less than 30 days of treatment.

Long-term intermediate care: Thirty days or more of treatment.

Recovery house (halfway house): An alcohol free residential community based setting providing counseling services, social and recreational activities, and encouragement to seek occupational training, education and employment.

Outpatient: Services provided on a regularly scheduled basis to clients residing outside a program. Services include crisis intervention, screening and evaluation, individual, group and family counseling,

alcohol education, referral services, employment assistance and follow-up.

Information & Referral: A service by which people with alcohol or drug problems are directed to appropriate resources.

GALEN STATE HOSPITAL

Galen State Hospital, as mandated by Section 80-1701, R.C.M. 1947, is to provide for: 1) the treatment of tuberculosis and silicosis; and 2) the detoxification, diagnosis, treatment and referral for persons seeking alcoholism relief. The hospital also operates a drug treatment program. If funds and space are available, the hospital treats emphysema, carcinoma of the lung, and other pulmonary disorders.

The Alcoholism Service Center (ASC) is located on the hospital grounds. Functions of the service center include care, evaluation, treatment, referral, and rehabilitation for Montana residents referred to Galen because of alcoholism. General hospital facilities provide for medical detoxification.

During fiscal year 1977-78, Galen State Hospital reported serving 2,378 persons for a total of 63,433 inpatient days. Of those served, 2,145 persons (38,001 inpatient days) were admitted for alcoholism or alcohol abuse.

ALCOHOLISM TREATMENT PROGRAM FUNDING

During our audit, we attempted to determine the total funds available for the treatment of alcoholism

in Montana in fiscal year 1977-78. We learned that the division did not have a list of total treatment funds available. This is due to the fact that unapproved alcoholism programs have no reporting responsibilities to the division.

We obtained approximate funding sources for the alcoholism treatment programs operating in fiscal year 1977-78. These amounts are based upon fiscal year 1977-78 budgets submitted by the approved programs to the department and upon discussions with alcoholism treatment program directors.

The funding sources range from federal grants to private donations. "State" funds include division allocations to approved programs and other state moneys, such as distributions by the Vocational Rehabilitation Division of SRS. The division's allocation is discussed in detail in Chapter III. Funding by county, city, and town consists of distributions of state beer and liquor taxes. The distribution and expenditure of beer and liquor tax money is discussed in detail in Chapter II. "Other" funds include DWI fees, United Way contributions, client fees, and donations. The illustrations on the following pages and in Appendix A show the approximate funding sources for the alcoholism treatment programs operating in Montana during fiscal year 1977-78.

Summary of Funding Sources by Region[1]
Based on Fiscal Year 1977-78 Budgets
(unaudited)

Region	Federal	State	County[2]	City/Town[2]	Private	Other	Total Funds
Region I	$ 245,449	$ 445,779	$ 121,112	$ -0-	$ -0-	$ 30,296	$ 842,636
Region II	340,780	201,465	308,461	4,000	-0-	78,676	933,382
Region III	163,043	256,927	166,823	12,197	90,786	144,889	834,665
Region IV	251,765	1,166,575	289,579	-0-	-0-	400,602	2,108,521
Region V	470,364	192,636	270,989	400	2,052	41,438	977,879
Total Funding	$1,471,401	$2,263,382[3]	$1,156,964	$16,597	$92,838	$695,901	$5,697,083

[1] Appendix A illustrates the approximate funding sources for alcoholism treatment programs operating in Montana during fiscal year 1977-78.

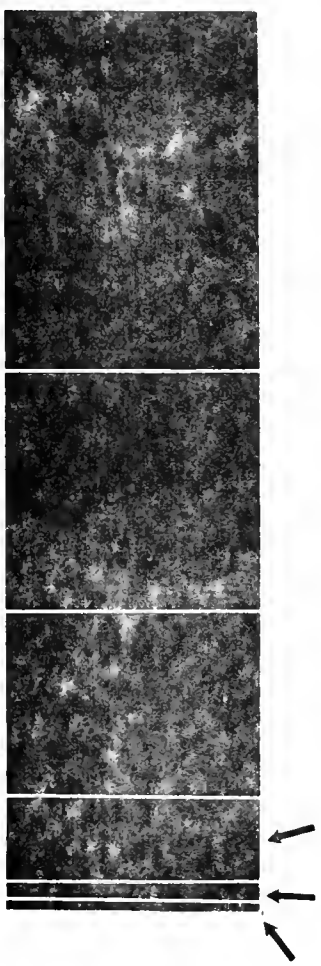
[2] County, city, and town funding consists of distributions of state beer and liquor taxes.

[3] Exceeds the fiscal year 1977-78 moneys actually distributed. This is because the figures used in the table are based on program budgets.

TABLE 4

Source: Compiled by the Office of the Legislative Auditor.

PROGRAM FUNDING SOURCES AND AMOUNTS FOR ALCOHOL PROGRAMS OPERATING IN THE STATE FOR FISCAL YEAR 1977-78 BASED ON BUDGET INFORMATION



Total Funding	$5,697,083	
State Funding	$2,263,382	40%
Federal Funding	$1,471,401	26%
County Funding*	$1,156,964	20%
Other Funding	$ 695,901	12%
Private Funding	$ 92,838	1.7%
City/Town Funding*	$ 16,597	.3%

*County, City and Town funding consists of distributions of state beer and liquor taxes.

Source: Compiled by the Office of the Legislative Auditor

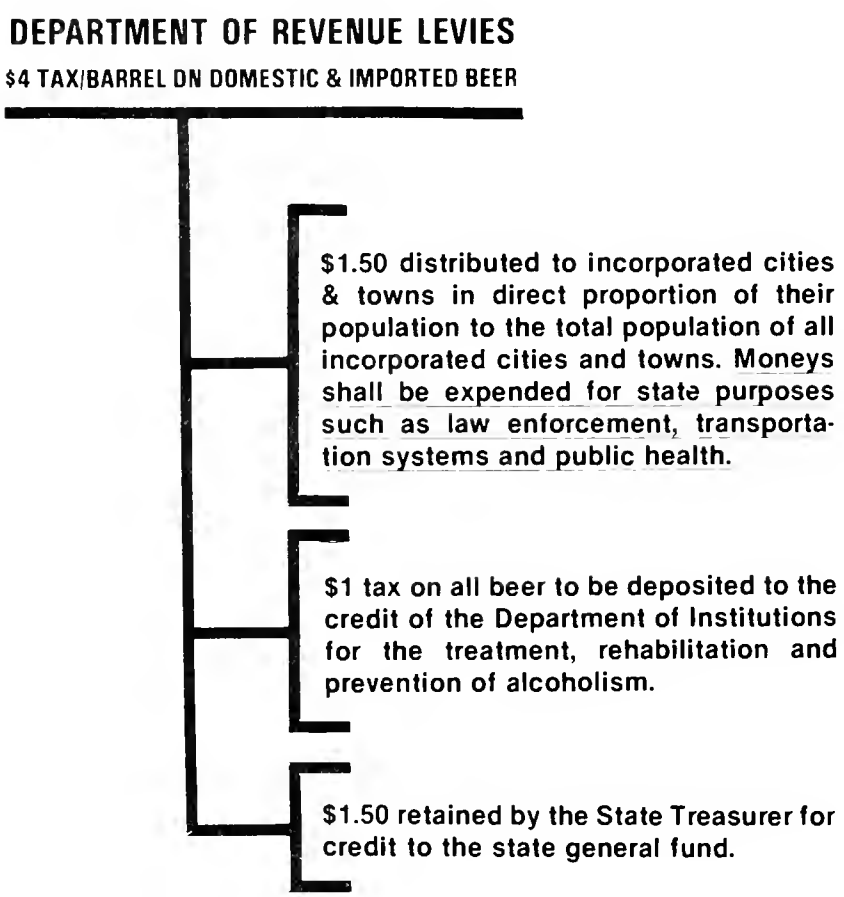
Chapter II

ALLOCATION AND EXPENDITURE OF BEER AND LIQUOR TAX MONEYS

Allocation of Beer and Liquor Tax Moneys

The Department of Revenue is authorized to assess and collect a $4.00 per barrel tax on domestic and imported beer. Of the $4.00 per barrel tax, $1.00 per barrel is to be credited to the Department of Institutions for treatment, rehabilitation, and prevention of alcoholism. The State Treasurer distributes the beer tax moneys in accordance with Section 4-1-408, R.C.M. 1947. The distribution of beer tax moneys is depicted in the following flowchart.

ALLOCATION OF BEER TAX MONEYS



Source: Compiled by the Office of the Legislative Auditor based upon Section 4-1-408. R.C.M. 1947.

Total beer tax revenues distributed to incorporated cities and towns for fiscal years 1975-76, 1976-77, and 1977-78 are listed on Table 5.

Beer Tax Moneys
(unaudited)

Fiscal Year	Distributed to Cities and Towns
1975-76	$1,039,172
1976-77	$1,129,173
1977-78	$1,119,129*

TABLE 5

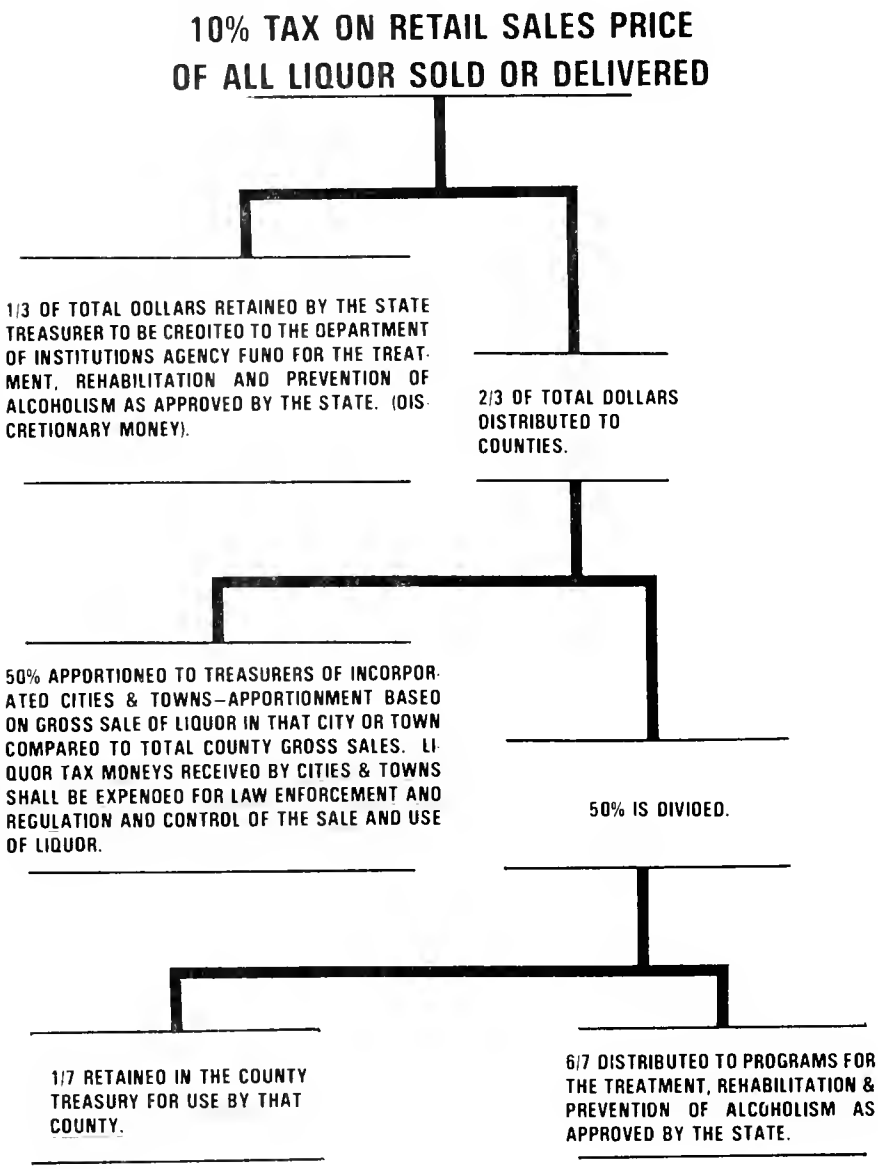
*This figure represents the actual distribution of beer tax moneys by the State Treasurer to the cities and towns. Approximately $60,000 was not distributed by the State Treasurer until after the end of the fiscal year, but was recorded as a distribution by the Department of Revenue.

Source: Compiled by the Office of the Legislative Auditor.

For fiscal year 1977-78 $692,941 of beer tax moneys was distributed to the Department of Institutions for the treatment, rehabilitation, and prevention of alcoholism. (See Note 1, Table 8, page 19.)

The state also assesses and collects a 10 percent tax on the retail selling price of liquor. The distribution of these moneys by the Department of Revenue is shown in the following flowchart.

DISTRIBUTION OF LIQUOR TAX MONEYS



Source: Compiled by the Office of the Legislative Auditor based on Sections 4-1-401 and 4-241 R.C.M. 1947.

As noted in the flowchart, two-thirds of the liquor tax moneys is distributed to counties. Fifty percent of these moneys is allocated to incorporated cities and towns within the county. Table 6 shows the distribution of liquor tax moneys to counties, cities, and towns for fiscal years 1975-76, 1976-77, and 1977-78.

Liquor Tax Distribution to Counties, Cities, and Towns
(unaudited)

Fiscal Year	Counties	Cities and Towns
1975-76	$ 368,136[1]	$1,104,408[1]
1976-77	$ 392,921[1]	$1,178,761[1]
1977-78	$1,356,617[2]	$1,356,617[2]

[1] The figures for counties, cities, and towns in fiscal years 1975-76 and 1976-77 are not comparable to fiscal year 1977-78 because of a change in the law. Before fiscal year 1977-78, the counties received 80% of the revenue collected from the 5% liquor tax. The counties retained 25% of the liquor tax moneys received and distributed the remaining 75% to the cities and towns. The figures for fiscal year 1977-78 represent the two-thirds of the 10% liquor tax revenue allocated to the counties, cities, and towns.

[2] The one-third liquor tax distributions of $1,356,617 each to the counties and cities/towns in fiscal year 1977-78 do not agree with the one-third liquor tax distribution of $1,345,626 to the Department of Institutions. (See Table 7). This difference occurs because the county and city/town distributions are based on the "forced sales" system of recording liquor sales by the Liquor Division, Department of Revenue, while the Department of Institutions' share is computed based on the cash receipts of the Liquor Division. The Department of Revenue plans to make an additional distribution of $10,991 to the Department of Institutions to equalize the liquor tax distribution to the counties and cities/towns.

TABLE 6

Source: Compiled by the Office of the Legislative Auditor.

As displayed in the two previous flowcharts, the Department of Institutions receives a portion of the beer and liquor tax moneys. These moneys are earmarked for the treatment, rehabilitation, and prevention of alcoholism. The distribution of these moneys to the department represents the Alcohol and Drug Abuse Division's discretionary moneys. These moneys also include $200,000 from a Federal Alcohol Formula Grant. The sources of revenue for the division's discretionary money for fiscal year 1977-78 are shown in Table 7.

Alcohol and Drug Abuse Division
Discretionary Moneys Available for
Distribution for Alcoholism Treatment Programs
Fiscal Year 1977-78
(unaudited)

Liquor Tax Revenues (1/3 of total)	$1,345,626*
Beer Tax Revenues ($1.00/barrel)	692,941
Total State Allocation	$2,038,567
Federal Alcohol Formula Grant	200,000
Total Discretionary Moneys For Alcoholism Programs	$2,238,567

*See Note 2 on Table 6.

TABLE 7

Source: Compiled by the Office of the Legislative Auditor.

The legislature appropriated $1,027,494 for fiscal year 1977-78 to Galen State Hospital from the beer and liquor tax proceeds in the earmarked revenue fund. This constitutes a distribution of 46 percent of total discretionary moneys available for alcoholism treatment

programs. The division expends a portion of the discretionary moneys for statewide program administration. These expenditures amounted to $199,288 for fiscal year 1977-78. Discretionary moneys are also used by the division to contract with state-approved alcoholism treatment programs to fund specific program expenditures. The division reimbursed the alcoholism treatment programs monthly for the expenditures allowed by the various contracts. The division expended $1,121,831 of the discretionary moneys in fiscal year 1977-78 for state approved alcoholism treatment programs.

Table 8 summarizes the statewide distribution of the beer and liquor taxes and the Federal Alcohol Formula Grant.

Statewide Distribution of the
Beer and Liquor Taxes and the Federal
Alcohol Formula Grant for Fiscal Year 1977-78
(unaudited)

Distribution	Beer Tax[1] $4/Barrel	Liquor Tax[2] 10% tax on the price of liquor	Federal Alcohol Formula Grant	Total
State General Fund	$1,185,363	----------	--------	$1,185,363
Department of Institutions	692,941	$1,345,626	$200,000	2,238,567
County:				
General Fund	----------	193,803	--------	193,803
State Approved Alcoholism Treatment Programs	----------	1,162,814	--------	1,162,814
Incorporated Cities & Towns	1,119,129	1,356,617	--------	2,475,746
	$2,997,433	$4,058,860	$200,000	$7,256,293

[1]The beer tax distribution represents the actual distribution to the state's general fund, the Department of Institutions, and the incorporated cities and towns. Approximately $60,000 of the beer tax collected and recorded by the Department of Revenue was not distributed by the State Treasurer to the incorporated cities and towns until after fiscal year-end. The beer tax distribution for fiscal year 1977-78 does not appear to follow the $1.50, $1.50, $1.00 split. Because beer taxes are paid one month after collection, the fiscal year 1977-78 distribution includes eleven months of beer collections at $4.00/barrel and one month of beer tax collections at $3.25/barrel. From the $4.00/barrel beer tax, 37.5 percent was credited to the general fund, while 53.8 percent of the $3.25/barrel was credited to the general fund.

[2]The liquor tax distribution represents the actual distribution to the Department of Institutions, counties and cities/towns. The one-third portions of the liquor tax do not agree because of different computation methods used by the Department of Revenue.

TABLE 8

Source: Compiled by the Office of the Legislative Auditor.

Expenditure of Liquor Tax Moneys

We sent questionnaires to each of the 56 county treasurers for the following purposes:

--Verification of moneys received by the county from the Department of Revenue from the fiscal year 1977-78 state liquor tax.

--Identification of the programs to which the county distributed its share of the state liquor tax.

Of the 56 questionnaires sent, 54 counties responded as of November 3, 1978. As noted previously, two-thirds of the 10 percent liquor tax is divided between the counties and the incorporated cities and towns. Six-sevenths of the county portion must be used for state approved alcoholism treatment programs.

Underpayments

According to the 54 county responses, 43 counties distributed the fiscal year 1977-78 liquor tax moneys for alcoholism treatment programs in accordance with the six-sevenths requirement. Eleven counties did not distribute the revenues per statutory requirements. The under-distributed amounts were retained in the county general fund. Table 9 summarizes the incorrect alcohol tax distribution by the eleven counties.

Summary of Incorrect Alcohol Tax
Distribution by 11 Counties in FY 1977-78

	Dollar Amount
Amount that should have been distributed by 11 counties to approved alcoholism treatment programs	$153,557
Amount actually distributed for alcoholism treatment programs	105,910
Underpayment for alcoholism treatment programs . . .	$ 47,647

TABLE 9

Source: Compiled by the Office of the Legislative Auditor.

In our analysis of the 54 county responses, we noted that some counties were unfamiliar with the requirement that six-sevenths of the liquor tax moneys be distributed for alcoholism treatment purposes. The Department of Community Affairs (DCA), Local Government Services Division, is initiating audits for fiscal year 1977-78 and will include in their audits a review of the liquor tax distributions by the counties. We discussed with DCA auditors the county underpayments for alcoholism treatment programs. DCA auditors, at the time of this report, were reviewing the reasons for the payment discrepancies.

RECOMMENDATION

We recommend that the Department of Community Affairs report to appropriate local government officials noncompliance with the provisions of Section 4-1-401, R.C.M. 1947, that require the counties to distribute six-sevenths of liquor tax money for alcoholism treatment programs.

Overpayments

We also noted from the county responses that five counties over-distributed liquor tax moneys to incorporated cities and towns. The amount of overpayment by the responding counties to incorporated cities and towns for fiscal year 1977-78 totaled $3,638 as depicted in Table 10.

Liquor Tax Overpayment by Five
Counties to Incorporated Cities and Towns
in Fiscal Year 1977-78

	Dollar Amount
Amount that should have been distributed to incorporated cities/towns	$26,837
Amount actually distributed to incorporated cities/towns	30,475
Amount of liquor tax overpayment to incorporated cities/towns	$ 3,638

TABLE 10

Source: Compiled by the Office of the Legislative Auditor.

Section 4-1-401, R.C.M. 1947, requires counties to equally divide the liquor tax between the county and incorporated cities and towns. Some counties, following the requirements of the prior law, distributed one-fourth of the taxes to the county and three-fourths of the tax to the incorporated cities and towns. To attempt to ensure the proper distribution by counties to cities/towns and alcohol programs, the Department of Institutions worked with the Department of Revenue to prepare a report for each county showing appropriate distributions; however, problems still occurred.

RECOMMENDATION

We recommend that the Department of Revenue again inform counties of the provisions of Section 4-1-401, R.C.M. 1947,

that require counties to equally divide the liquor tax money between the county and its incorporated cities/towns.

County Fund For Alcoholism Treatment Programs

Some counties do not have a separate fund established for the six-sevenths amount to be used for the treatment, rehabilitation, and prevention of alcoholism. These counties are depositing liquor tax moneys in the county general fund and are reimbursing the alcoholism treatment programs from the general fund. Section 4-1-401, R.C.M. 1947, requires each county to establish a fund for the treatment, rehabilitation, and prevention of alcoholism as approved by the state of Montana. In addition, the present practice of depositing all liquor tax revenue in the county general fund may eliminate the enforcement of Section 80-2725(6), R.C.M. 1947. This statute requires that allocated liquor tax moneys which have not been encumbered for alcoholism treatment by the counties of Montana be returned to the state's general fund within 30 days after the close of each fiscal year.

Department of Community Affairs' and Department of Institutions' officials stated that to their knowledge there have not been any allocated liquor tax moneys returned to the general fund for fiscal year 1977-78.

RECOMMENDATION

We recommend that the Department of Community Affairs:

1. Report to appropriate local government officials noncompliance with Section 4-1-401, R.C.M. 1947, that requires the counties to distribute six-sevenths of the liquor tax moneys to a separate alcohol fund for the treatment, prevention, and rehabilitation of alcoholism as approved by the state.
2. Report to appropriate local government officials unencumbered liquor tax moneys specified for alcoholism treatment that are not returned to the state general fund as provided for by Section 80-2725(6), R.C.M. 1947.

Expenditure of Tax Moneys by Cities and Towns

Section 4-241, R.C.M. 1947, states that liquor tax moneys received by cities and towns shall be expended for law enforcement and regulation and control of the sale and use of liquor. In most cases, liquor tax money is deposited to the city or town general fund.

Section 4-1-408, R.C.M. 1947, requires that $1.50 per barrel of beer tax moneys be deposited with the State Treasurer for credit to the incorporated cities and towns' beer tax account in the earmarked revenue fund. All beer tax funds received by incorporated cities and towns shall be expended for state purposes such as law enforcement, maintenance of transportation systems, and public health.

The following table summarizes the total beer and liquor taxes received by the incorporated cities and towns for fiscal years 1975-76, 1976-77, and 1977-78.

Total Beer and Liquor Tax Moneys Distributed
to Incorporated Cities and Towns
(unaudited)

Year	Dollar Amount
1975-76	$2,143,580
1976-77	$2,307,934
1977-78	$2,475,746

TABLE 11

Source: Compiled by the Office of the Legislative Auditor.

We selected a sample of 43 incorporated cities and towns and sent questionnaires to the city or town treasurers requesting verification and determination of:

--The amount of beer tax revenue received and subsequently distributed in fiscal year 1977-78.

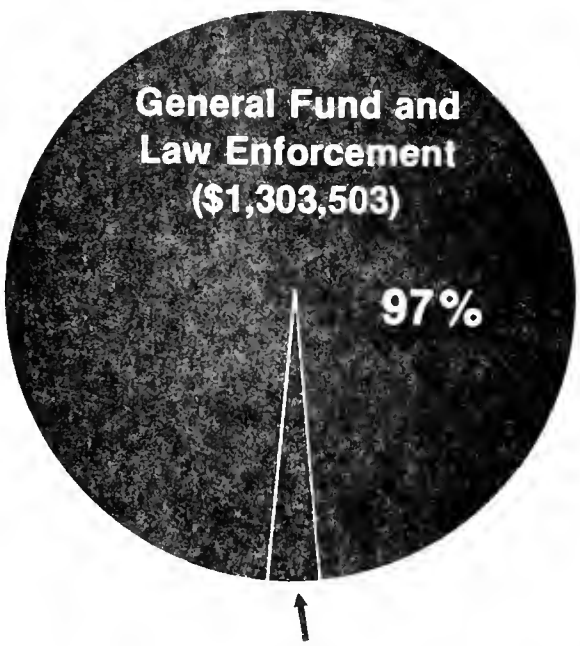
--The amount of liquor tax revenue received and subsequently distributed in fiscal year 1977-78.

--The purpose and use of beer and liquor tax distributions.

Thirty-seven of the incorporated cities and towns responded to the questionnaire as of November 3, 1978. The incorporated cities and towns responding reported that all liquor and beer tax revenue was allocated to either the city/town general fund or directly for law enforcement. Four cities in our sample were identified as contributors to alcohol treatment programs. The

total amount contributed to alcohol treatment programs was approximately $38,600. The following chart illustrates the distribution of beer and liquor tax revenues by the sampled incorporated cities and towns.

EXPENDITURE OF BEER AND LIQUOR TAX MONEYS BY SAMPLED CITIES AND TOWNS FISCAL YEAR 1977-78



Alcohol Treatment Programs
($38,626)

3%

Source: Compiled by the Office of the Legislative Auditor

During our audit, we received various comments about the cities' and towns' expenditure of the beer and liquor tax moneys. Some individuals were concerned that the beer and liquor tax moneys distributed to cities/towns were not expended for alcoholism treatment. Representatives of the cities/towns have expressed the concern that earmarking these funds for alcoholism treatment would adversely affect city/town general funding and law enforcement programs. Sections 4-1-401, 4-241, and 4-1-408, R.C.M. 1947, clearly specify the authorized uses of beer and liquor tax moneys. Our questionnaire responses indicate that cities and towns are complying with these statutes in distributing beer and liquor tax moneys.

Chapter III

ANALYSIS OF ADAD PROGRAM ADMINISTRATION

INTRODUCTION

Chapter III addresses the administration of the statewide alcoholism treatment program by the Alcohol and Drug Abuse Division. This chapter focuses upon the formulation of the state plan, the approval and evaluation of individual treatment programs, and the division's allocation of funds to these programs. This chapter does not include comments on the effectiveness and performance of individual alcoholism treatment providers. Because of problems existing with the collection, reporting, and overall communication of data necessary to develop program performance and effectiveness indicators, we could not formulate reliable indicators to compare the performance and effectiveness of individual programs.

FORMULATION OF STATE PLAN

Section 80-2711(1), R.C.M. 1947, states that the Department of Institutions "shall develop, encourage, and foster statewide, regional, and local plans and programs for the prevention of alcoholism and treatment of alcoholics. . . ." According to the Department of Institutions' fiscal year 1977-78 state plan for alcoholism treatment, the Montana state plan is defined as a public document that presents a coordinated comprehensive program for the orderly development and implementation of needed alcoholism prevention, treatment,

and rehabilitation programs for the entire state of Montana. The state plan also fulfills certain federal requirements prescribed in the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970. Requirements of this act must be met prior to federal funding.

For statewide planning purposes, the state is divided into five regions. Each region is required to prepare a regional plan for alcoholism treatment. These regional plans, reviewed by division staff, are combined to form the basis for the Montana state plan.

Although state plans are completed by the due date for federal compliance purposes, state plans are not completed on a timely basis for use by local providers. For example, in fiscal year 1977-78, regional planners submitted their plans to the division in May 1977. Because the regional plans were not received until May, the state plan was not available to provider programs until July 25, 1977--after the fiscal year had begun. Individual program personnel could not review the state plan until after they had prepared their own program goals and objectives for the fiscal year. Utilization of the state plan by providers for program planning purposes was impossible. For some programs, fiscal year 1977-78 grant applications were already submitted before the state plan was available to the programs. To effectively coordinate implementation of a state

alcoholism treatment plan, program personnel should receive the state plan prior to the time they formulate their goals and objectives for the fiscal year and submit their grant applications.

RECOMMENDATION

We recommend that the department make the statewide goals and objectives for alcoholism and alcohol abuse treatment available to provider programs prior to providers' submission of grant applications.

STATE GOALS AND OBJECTIVES

State plan goals and objectives are taken almost verbatim from a list of department duties mandated by Sections 80-2702 and 80-2711, R.C.M. 1947. From our contact with local program personnel, some providers stated that state goals and objectives are too general and short-ranged. Nine of the eighteen providers explained that the state plan goals and objectives are seldom used to set individual program goals and objectives. Some program directors believe that the state plan does not provide guidance but merely is a federal compliance document. Most providers contacted preferred more specific state goals and objectives with the inclusion of long-range goals and objectives. By including long-range goals and objectives, providers can determine their roles in future alcoholism treatment.

We discussed with various program personnel the local input for preparation of state and regional plans. Personnel in seven of the eighteen programs contacted believed adequate input was lacking for state plans. In addition, four providers stated that adequate input was lacking for regional plans.

RECOMMENDATION

We recommend that the department analyze the state plan to determine if more specific short-term goals and objectives and long-range goals and objectives are needed.

PROGRAM APPROVAL

Approval Process

To obtain division approval, program providers must complete the formal approval process. A written request for approval must be made to the division. Upon receipt of this request, technical assistance is given to the provider. Technical assistance consists of providing program personnel a basic understanding in completing required documentation for approval. The required documentation includes the program's goals and measurable objectives, descriptions of the organization and program management systems, a policy and procedures manual, data on personnel management and staff development, and a record of the provider's current and past financial condition. Following a review of submitted

documentation, an on-site evaluation is scheduled. Approval is granted after the on-site evaluation, provided the provider's program is in compliance with the division's standards. Irrespective of the alcoholism treatment needs in a program's geographic location, a program must only meet the approval standards of the division to be approved.

The division may choose not to fund an approved program, but nothing precludes the approved program from receiving county liquor tax moneys. The division has no authority to say which approved programs will be funded on the county level. Because of this funding authority split, the division does not have complete authority in administering the statewide alcoholism treatment program.

Division personnel believe they do not have the authority to deny program approval to those providers' programs that qualify, although new programs may create a duplication of services in the area. Section 80-2711(1), R.C.M. 1947, requires the Department of Institutions to "develop, encourage, and foster statewide, regional, and local plans and programs for the prevention of alcoholism and treatment of alcoholics and intoxicated persons in cooperation with public and private agencies, organizations, and individuals and provide technical assistance and consultation services for these purposes." While, Section 80-2713(1) requires the department to "establish standards for

approved treatment facilities that must be met for a treatment facility to be approved as a public or private treatment facility . . . the standards may concern only the health standards to be met and standards of treatment to be afforded patients." In our conversations with division officials, they noted three cities which may have duplicated services. During our on-site visits, we confirmed two of the possible duplication of services situations noted by division personnel and observed an additional situation where duplication of services may occur. For example, in these cities, there was more than one approved alcoholism treatment program providing outpatient services.

If the division is to perform its mandated responsibility to encourage and promote effective use of facilities, resources, and funds in planning and conducting alcohol programs, duplication of services should be avoided.

RECOMMENDATION

We recommend that the department seek authority to establish standards to prevent duplication of services by service area.

Provisional Approval

In fiscal year 1977-78, six programs were granted provisional approval status. Provisional approval is

usually granted to new programs unable to meet all approval standards, or to allow established programs not meeting full approval standards to regain approval. By granting provisional program approval, the provider is allowed to receive county liquor tax moneys. Using these funds to improve standards, the program eventually becomes approved.

Provisionally approved programs are not supplying a complete alcoholism treatment plan although they compete for, and receive, alcohol tax money earmarked for approved programs. There is presently no statutory allowance which gives the division the authority to grant provisional approval to alcoholism treatment programs.

RECOMMENDATION

We recommend that the department discontinue granting provisional approval status to programs not meeting the full approval requirements of the state or seek clarification of the authority for granting provisional approval of programs.

DIVISION ALLOCATION OF FUNDS

In accordance with Sections 4-1-401 and 4-1-408, R.C.M. 1947, the Department of Institutions receives liquor and beer tax moneys earmarked for the treatment, rehabilitation, and prevention of alcoholism. In addition to the beer and liquor tax moneys, the department also received a $200,000 Federal Alcohol Formula

Grant in fiscal year 1977-78. The grant was designated for the treatment, rehabilitation, and prevention of alcoholism and drug abuse. These moneys comprise the Alcohol and Drug Abuse Division discretionary moneys. (See Table 7, page 17.) From these moneys the division finances specific program expenditures of state approved providers.

Allocation Criteria

The federally mandated state plan requires the division to perform a statewide "needs assessment." A needs assessment is an empirical analysis of the alcohol and drug problems on a statewide basis. The needs assessment should be the basis for program priorities, resource allocations, and funding. Population research and other demographic determinates, such as age, sex, and education, are encompassed in the needs assessment. These characteristics should be considered in the planning and funding analysis of alcoholism and drug treatment programs. Needs assessments were not completed in fiscal year 1977-78 prior to the allocation of funding.

The allocation of ADAD discretionary moneys for fiscal year 1977-78 to approved alcoholism treatment programs was based on staff recommendations. The division's staff was divided into five groups. Each group reviewed program requests for funds in its assigned service region. The groups determined total

program funds and program costs. The review groups considered other sources of program funding before determining allocations to programs.

For fiscal year 1977-78, the division had not established criteria for the funding of approved alcoholism treatment programs. Because the review groups had no established criteria for funding programs, program directors were unaware of the division's standards for the allocation of funds to their programs. Some provider programs were not reviewed by the entire staff even though a comprehensive program review is required before a program is funded.

In May of 1978, Touche Ross and Company issued an evaluation report on the management methods of the division. The report stated that the division had no published criteria for the allocation of alcoholism treatment funds. In response to this evaluation, the division appointed a review committee to develop general criteria for fund allocation. Promptly after the issuance of the evaluation report, the committee established "general criteria" for fund allocation and presented these criteria to the Alcohol Advisory Council. From our review of the council minutes, there was no documentation as to council adoption of the criteria developed by the committee; however, the division believes the council addressed the criteria developed

by the committee. The general criteria were not communicated to alcoholism treatment providers for fiscal year 1978-79 prior to the allocation of funds.

RECOMMENDATION

We recommend that the department:

1. Complete a statewide needs assessment prior to allocation of funds.
2. Establish specific funding criteria and communicate those criteria to providers.

PROGRAM EVALUATION

Programs are evaluated prior to approval and also annually as division staffing permits. Procedures for evaluating a program are detailed in the department's Program Evaluation Handbook for Alcoholism Treatment Programs. The purpose of this evaluation process as defined in the Evaluation Handbook is as follows:

--To improve program performance and client service levels.

--To help ensure statewide compliance with federal and state standards.

--To help achieve efficiency and economy in program operations.

--To assist in determination of program funding levels and approval of contracts.

--To determine areas of needed technical assistance and training.

--To gather data for development of additional state standards for program performance.

In a program evaluation accomplished by the division, four primary evaluation areas are reviewed for compliance with federal and state standards. These areas include: organization and program management, personnel management and staff development, financial management, and client treatment and census. Each area of primary evaluation consists of specific review steps.

Each program evaluated is graded for each review step according to a classification system indicating approval, approval with conditions, or disapproval. An overall evaluation is then made on the provider.

Effectiveness Indicators

Individual program directors, along with their boards of directors, must determine factors indicative of program performance. Division evaluators believe goals and objectives established by the state would not fairly evaluate or compare program performance.

In a management evaluation of the division in May 1978, Touche Ross and Company recommended the establishment of "specific goals and objectives for program effectiveness and efficiency." In measuring program effectiveness and efficiency, Touche Ross suggested possible program performance indicators. These indicators included percentage of program completions, percentage of clients whose length of abstinence improved, and percentage of clients whose employment improved.

The division's Alcohol Information System (AIS) is structured to formulate these indicators. From these indicators summary reports would inform the individual programs of their performance. Formats for these reports would rank programs on a series of indicators. These reports would provide division personnel and program staffs individual program performance statistics and a ranking of effectiveness for programs providing like services.

The Montana State Plan for Alcoholism for fiscal year 1977-78 specifically addressed the monitoring of recovery rates of persons admitted for alcoholism treatment to determine cost and effectiveness for each type of treatment provided. This monitoring was to be accomplished by July 1978.

The division has not formulated indicators to measure the cost and effectiveness of programs. Lack of sufficient staff is cited by the division's administrator as the reason for not formulating the indicators.

Failure to select effectiveness criteria and evaluate programs based on communicated standards creates uncertainty among programs. Selecting specific performance indicators for each type of treatment would give both division evaluators and program directors a basis for determining program effectiveness and efficiency.

RECOMMENDATION

We recommend that the department formulate effectiveness indicators to measure cost and effectiveness of different types of treatments.

ALCOHOL INFORMATION SYSTEM (AIS)

The collection, retention, analysis, and reporting of relevent statistical information on the treatment and prevention of alcoholism and alcohol abuse in Montana is a required duty of the Department of Institutions. The department uses the Alcohol Information System (AIS) as its collection and reporting mechanism. The department spends approximately $10,000 per year on the analysis and reporting of AIS data.

AIS reports admissions, discharges, monthly caseloads, and monthly staff activity. AIS data includes number of persons treated, frequency of admission and readmission, and frequency and duration of treatment.

The AIS data is compiled for two purposes. First, it is used for research and analysis by the division. Second, the AIS data is used for reporting information back to the providers. AIS admission and discharge data is received from the providers, coded by the division, and then sent to the Department of Administration for keypunching and computer analysis. AIS information on client hours and staff activity is

manually compiled by the division from reports issued by each provider.

Delays in Reporting AIS Data

The computer data collection and reporting process, as explained by division personnel, takes between three and four months from the time providers submit reports to the time providers receive the results of the AIS analysis. One provider reported receiving the May report in October. The manual process takes the division between 3 to 5 weeks to get reported data summarized and back to the providers. For example, September data was reported to the providers by the first week in November.

We discussed with division officials the lag time between data compilation and the final return of information to providers. Officials noted that the division receives most AIS reporting forms from the programs at least fifteen days after the end of the reporting period. Some program providers have taken as long as four weeks to report. Provider contracts state that AIS information must be sent within ten working days of the end of the reporting period. ADAD officials are not enforcing this contract provision.

Division officials also noted that delays are experienced as a result of data coding errors by program providers. Much of the delay time involves editing and correcting coding errors. All admission and

discharge forms received by the division are manually sorted and edited by the staff to determine errors in coding. The division usually receives 1,200 to 1,500 admission and discharge forms per month. The division allows a minimum of three weeks for the manual edit. The client and staff activity forms undergo a similar edit and are then manually summarized and issued to providers.

All admission and discharge data is sent to the Department of Administration for keypunching and verification. The data is computer edited to locate further coding errors. Errors found as a result of this process are reported to the division. The division then contacts providers to obtain correct information. The corrected data is sent back for additional keypunching and computer editing. Errors are then corrected and the data is ready for final report compilation. The time involved in the computing process including keypunching by the Department of Administration is approximately ten days.

The AIS system was designed to collect and analyze information that could be a useful aid to management decisions by the division and by the providers. If this management tool is to be meaningful, it must include current information.

RECOMMENDATION

We recommend that the department:

1. Enforce provider contract provisions which require the forwarding of program data within ten working days after the end of the reporting period.
2. Evaluate other reasons for delayed reporting of AIS information and reduce the turn around time for issuance of reports.

PROGRAM COMPLIANCE

When we began our review we intended to use client and counselor data submitted by the providers, and treatment costs to construct comparisons of the cost-effectiveness of individual programs. We had planned to develop effectiveness indicators, such as cost per patient day, cost per counselor hour, percentage of successful completion, etcetera, to compare the performance of similar programs.

During the review we discovered problems which would have adversely affected the reliability of the indicators to be formulated. These same problems may also affect effectiveness indicators which are constructed by the division.

To use cost of treatment as a factor in formulating indicators, the total cost for treatment by each provider is needed. The division does not have exact expenditure information for all treatment programs.

Providers, which use federal, county, city, and private moneys to treat alcoholism, are not required to report all expenditures to the division.

The untimeliness of admission data would also affect the usefulness of the indicators. The timeliness of data was previously discussed.

Our on-site visits to individual providers and a review of provider admission, discharge, and summary reports indicated that measures of effectiveness developed using AIS data may not be reliable.

Provider Reporting Problems

We noted the following reporting problems during our visits with eighteen approved program providers:

--AIS reports listed clients coded for specific services not provided by the treatment program. For the 18 programs visited, 84 of the 4,878 clients were coded in error.

--AIS computer information and manually compiled summary reports conflicted for the number of admissions and discharges for all 18 programs. The total number of admissions recorded by the computer was 5,406, while the summary reports reported 3,939 admissions. Discharges for the computer and manual system were listed as 4,611 and 4,070 respectively.

--Fifteen of the 297 client files examined indicated clients were being readmitted to the same program for further treatment, but were recorded as first admissions. These 15 exceptions were noted in 5 of the 18 programs.

--Two programs serving 88 clients for fiscal year 1977-78 did not report on AIS, but reported on another system for drug programs. This data is not comparable with AIS data.

--Two inpatient program providers did not compile and submit required staff activity reports for parts of fiscal year 1977-78.

--One approved program provider desired not to report the required Alcohol Information System (AIS) data. The provider stopped reporting to the division in July 1976. The provider continued to refuse to submit data for the next two years, yet the division continued program approval. In February 1978, the provider requested that its approval be terminated so it would not have to comply with further reporting requirements. The division continued approval for this provider through the 1978 calendar year.

If program effectiveness indicators are to be developed using reported data, the data must be comparable and representative. The number of admissions, discharges, and reporting criteria must be consistent for all programs. Also, all providers must comply with reporting requirements.

RECOMMENDATION

We recommend that the department:

1. Ensure that all providers comply with the division's reporting requirements.
2. Monitor implementation of consistent admission criteria for the individual alcohol treatment programs.

Examination of Client Files

In evaluating programs, the Alcohol and Drug Abuse Division is responsible for ensuring compliance with federal and state standards for client files. From a sample of client files for each provider visited, we tested compliance on client file security and content.

The Administrative Rules of Montana (ARM) require that client records be handled and stored to properly safeguard the confidentiality of their contents. According to division officials, requirements for file security include locked files and limited access. Of the eighteen providers we visited, we noted two providers that did not have adequate security to ensure the confidentiality of client files.

According to the ARM, each resident client file is required to contain social history, dates of admission and discharge, records of medical care, records of illnesses, written bimonthly progress notes, termination reports, and individual treatment plans. Files for clients classified as outpatient are required to contain only dates of admission and discharge, written bimonthly progress notes, termination reports, and treatment plans.

We reviewed 297 client files including DWI court school clients. The following table illustrates the missing contents of client files as determined in our provider visits.

CLIENT INFORMATION ON FILE

Type of Information	Percentage Missing
Social History	8%
Medical Records	8%
Record of Illness	13%
Bimonthly Progress Notes	17%
Termination Reports	15%
Individual Treatment Plan	19%

TABLE 12

Source: Compiled by the Office of the Legislative Auditor.

RECOMMENDATION

We recommend that the department ensure compliance with federal and state statutes for client file security and content.

Client Fees

Section 20-2.26 S310 (10)(b) of the Administrative Rules of Montana states that, "A resident of an intermediate treatment program shall be required to pay for services rendered within the treatment plan, consistent with his ability to pay or capacity to maintain employment." This requirement does not appear in the administrative rules governing emergency care treatment, outpatient treatment, or inpatient treatment programs. The rule pertains only to intermediate treatment programs; no other type of treatment program is required to ask for payment.

Of the 52 alcoholism treatment programs we identified in Montana, 15 programs were intermediate care facilities (see Table 3, page 6). Based on discussions with program directors we determined that 13 programs collected client fees in fiscal year 1977-78. Of the 13 programs which collected client fees, seven were intermediate treatment programs. Therefore, eight intermediate treatment programs did not collect client fees in fiscal year 1977-78.

RECOMMENDATION

We recommend that the department:

1. Enforce provisions for collection of client fees for programs providing intermediate treatment.
2. Consider requiring collection of client fees based on ability to pay for other treatment services provided.

COMMUNICATION WITH ALCOHOLISM TREATMENT PROVIDERS

The Alcohol and Drug Abuse Division, in communicating with the alcoholism treatment providers, must contend with the following:

--Geographic decentralization. The state of Montana, being the fourth largest state in land area, has 52 alcoholism programs operating in its 56 counties.

--Rapid program growth. From June 30, 1977, to June 30, 1978, the number of approved alcoholism treatment programs increased from 26 to 38 programs.

--Departmental specialization. Within the Department of Institutions, divisions and bureaus are working together to achieve the common goal of providing alcoholism treatment services.

--Changes in the law.

--Changes in program emphasis.

--Staff turnover and training.

Based on our analysis, communication problems between the division and the individual alcoholism treatment providers are significant. Through interviews with alcoholism treatment program personnel from

the 18 providers we visited in the state, we noted the following communication problems.

--Three providers stated that they were informed verbally about changes in program emphasis and funding. The programs never received written documentation on the change in program emphasis or funding. Later, verbal statements changed and subsequently created problems.

--The Alcohol Information System (AIS) is the division's system for communicating statewide alcoholism treatment statistics to all programs. Because of the three to four month delay in the distribution of AIS information, eleven directors stated that AIS information was not useful in administering programs.

--Personnel from three providers complained that direction received by the bureaus within the division often conflicted. For example, program directors were confused on division instructions in establishing a uniform filing system for all program files and use of expenditure report forms.

--Seven providers stated that the division had not communicated its criteria for the allocation of program funding for fiscal years 1977-78 and 1978-79.

--Three providers were unaware of, and/or had difficulty in obtaining information on grant applications.

--Personnel from eight treatment programs stated that general communication from the division was often inadequate. Some program directors commented that they were not always notified of meetings. They stated more written and oral communication with the division would be helpful.

RECOMMENDATION

We recommend that the department evaluate its communication system and establish effective communication with alcoholism treatment providers.

Chapter IV

FINANCIAL/COMPLIANCE REVIEW AND OTHER DIVISION OPERATIONS

Our review of the Alcohol and Drug Abuse Division included a financial compliance audit of the division's payroll and expenditure transactions for fiscal year 1977-78. We relied upon the internal controls as reviewed by a public accounting firm in setting the scope of our examination. The firm audited the department and determined that the internal controls for the Department of Institutions were satisfactory in all major respects.

PERSONAL SERVICES

During fiscal year 1977-78, the division reported expenditures of $490,260 for personal services consisting of $430,475 for wages and $59,785 for employee benefits. As of June 30, 1978, 33 people were employed at the division. Sixteen of these employees worked at the Southwestern Montana Drug Program. In our examination we noted the personnel and payroll weaknesses discussed below.

Records Retention

During our review of payroll transactions, we noted that the division, through a misunderstanding with the Management Services Division of the Department of Institutions, discarded all the employee time summaries signed and prepared by the division employees prior to December 1977.

The Montana Operations Manual requires that these records be retained for a period of four years. The Department of Institutions should comply with the records retention schedule established in the Montana Operations Manual. Furthermore, Section 82-333, R.C.M. 1947, states in part that "no public record may be disposed of or destroyed without the unanimous approval of the State Records Committee." No such approval was obtained by the Department of Institutions.

RECOMMENDATION

We recommend that the department:

1. Comply with the records retention schedule established in the Montana Operations Manual.
2. Obtain approval from the State Records Committee before disposing of records.

Payroll Status Forms

Payroll status forms are completed by the Payroll Section of the Department of Institutions for employee additions, terminations, promotions, and payroll deductions. According to department policy, this four-part document is sent to the Central Payroll Division of the State Auditor's Office, Payroll and Personnel Section at the Department of Institutions, and the Personnel Division of the Department of Administration.

We found 23 payroll status forms filed with the Payroll Section but not included in the employees' personnel files in the Personnel Section. The reason for these payroll status forms being missing relates to the lack of organization of the personnel files. Also, payroll status forms, payroll authorization deduction forms, leave requests, and other correspondence are not filed in a specific order.

We also noted three employees receiving a pay rate change, yet the payroll status forms authorizing the change could not be located at the department. The results of our follow-up work proved that the pay rate changes were proper, but the forms were missing from the files. To ensure that personnel files are complete, the department should reorganize employee personnel files according to payroll documents.

Several payroll status forms were not signed by employees. To avoid discrepancies and/or misunderstandings regarding employee pay rate changes and payroll deductions, all payroll status forms should be signed and dated by employees.

RECOMMENDATION

We recommend that the department:

1. Reorganize personnel files and ensure that personnel files are complete.

2. Consider requiring that employees sign all payroll status forms for changes in rates of pay and payroll deductions.

CETA Personal Services

CETA (Comprehensive Employment Training Act) salaries at nine state institutions and the Board of Pardons were paid by the Department of Institutions and were recorded as personal service expenditures of the Department of Institutions' Central Office. These personal services reported on the department's central office financial statements represent an overstatement of the salaries, wages, and employee benefits at the Department of Institutions' Central Office for fiscal year 1977-78 of approximately $558,690. Accordingly, the personal services of the nine state institutions and the Board of Pardons are understated.

Although personal services for the department's central office are overstated for fiscal year 1977-78, the personal services reported on the statement of expenditures for the Alcohol and Drug Abuse Division is not significantly affected. The division had only one CETA employee in fiscal year 1977-78.

The Management Services Division of the central office issued a directive on August 2, 1978, transferring personal service expenses incurred in fiscal year 1978-79 to the institution or board filling the CETA position. As of July 1, 1978, all personal service

expenditures in fiscal year 1978-79 relating to CETA positions are recorded at the institution or board where the services are provided. Because the department has taken action to correct the recording of CETA personnel expenses, we make no recommendation relating to this matter.

EXPENDITURES

Excluding personal service expenditures, the Alcohol and Drug Abuse Division reported expenditures of $1,927,587 during fiscal year 1977-78. Of these expenditures, $1,609,536 represented federal and state grants. From these grants $1,121,831 was distributed as discretionary moneys to alcoholism treatment providers. (See page 17). The $487,705 remaining was expended for statewide drug and alcohol abuse treatment administrative services for programs in accordance with grant restrictions or for specific services provided through state agencies; for example, the statewide alcohol reporting system, alcohol detoxification services, correctional system chemical dependency services, and DWI program development.

Miscoded Documents

In our financial review of division expenditures, five transfer warrant claims of the 50 we examined were miscoded. The first coding error involved two claims charged to an incorrect appropriation. This error resulted in an overstatement of expenditures of $29,017

in one appropriation, with a corresponding understatement of expenditures in another appropriation.

A third claim, paid and charged to fiscal year 1978-79, represented expenditures for services provided in fiscal year 1977-78. This expense should have been recorded as a prior year expenditure rather than a current year expenditure. This miscoding resulted in an overstatement of expenditures for fiscal year 1978-79 of $10,007.

A fourth claim, coded as a contracted service expenditure, should have been recorded as a federal grant expenditure. A fifth claim reported an expenditure improperly charged to the ADAD program.

We also noted transfer warrant claims having the same document number. Duplicate document numbers occurred because document numbers previously assigned were not recorded in the document number log. For example, an employee would assign a number to a transfer warrant claim and forget to record the document number in the log. Subsequently, another employee would assign the same number to a different document. The Montana Operations Manual, Section 2-0925.60, requires that accounting documents be assigned separate identifying numbers.

RECOMMENDATION

We recommend that the department:

1. Review transfer warrant claims for coding to appropriate appropriations, year, expenditure identification code, and program.
2. Ensure that document numbers are logged immediately to avoid duplicate document numbers.

Expenditure Accruals

The Department of Institutions did not adequately accrue expenditures for alcoholism treatment providers during fiscal years 1976-77 and 1977-78 in accordance with the Montana Operations Manual. Services provided in June 1977 were paid and charged to fiscal year 1977-78 expenditures. This procedure was also followed in fiscal year 1978-79. Because of the department's failure to properly accrue expenditures, division expenditures were understated by $4,924 for fiscal year 1977-78.

Based on our review, these expenditure accruals were determinable at fiscal year-end and should have been charged as expenditures in the year services were provided. However, accounting clerks preparing accrual entries were not receiving adequate information on providers' contracts from the department's budget analyst.

RECOMMENDATION

We recommend that the department accrue all alcoholism and drug treatment contract expenditures at fiscal year-end.

Travel

The Department of Institutions paid miscellaneous employee travel expenses without proper receipts. The Administrative Rules of Montana require that "individual expense items of $10 or more must be supported by paid receipts." From our sample, eight claims with total miscellaneous expenses of $185 were paid without proper receipts attached.

RECOMMENDATION

We recommend the department comply with the Administrative Rules of Montana in requiring miscellaneous travel expenses of $10 or more to be supported with receipts.

PAYMENTS TO PROVIDERS

We reviewed the payment process to state approved alcoholism treatment providers. We also reviewed the payments made to a selected sample of providers to determine if significant delays in payments existed.

Payments to providers are made on a reimbursement basis with each provider submitting a monthly expenditure statement. The Management Services Division processes the claim and approves or disapproves payment. Upon payment approval, the claim is paid by a transfer warrant claim. In our review of the payment process and the fiscal year 1977-78 payments, we noted the following weaknesses.

File Maintenance

There is no indexing system associated with the files. Personnel, other than the individual responsible for the files, are not required to sign out program files. We had difficulty locating certain files because no one knew whether files were misplaced, nonexistent, or in use. One file could not be located by division personnel. We noted that these files were used by the division's administrative secretary and by the Management Services Division's budget analysts. The Department of Institutions should maintain a file index and a sign-out system for individual provider files.

Management Services Division personnel explained that some filing problems occur because providers will often change names or addresses during the year. Sometimes the Department of Institutions is not notified of these changes. When aware of a change, the department files the correspondence in the appropriate provider file. The Management Services Division does not maintain a list of all the provider names and changes.

Lack of a complete list of provider names and changes creates problems in locating information contained in the files and could cause delays in the payment process. To expedite information location, the Department of Institutions should require providers to

notify the department of name or address changes and maintain a cross-referencing listing by provider name.

RECOMMENDATION

We recommend that the department:

1. Establish an alcoholism treatment provider file sign-out system for use by department personnel.
2. Require alcoholism treatment program personnel to notify the Department of Institutions when a name or address change occurs in the program.
3. Establish a file indexing system for individual alcoholism treatment provider files that includes a cross-reference listing of all provider name changes.

Supporting Documentation

In our review of the Management Services Division files, we found that provider expenditure statements received were not consistently date-stamped as received by the department. We also noted that neither the payment date nor the transfer warrant claim document number is recorded on provider supporting documentation. In seven instances we could not determine whether payments had been made to a number of providers when we reviewed provider files.

Because expenditure statements and correspondence are not stamped according to date received and paid, providers could submit a corrected expenditure statement or a duplicate expenditure statement, thus

creating confusion and delays in the payment process. The Department of Institutions should date all incoming provider correspondence to expedite filing procedures and the payment process. The department should also establish procedures to ensure that expenditure statements and supporting documentation are appropriately dated as paid with the transfer warrant claim document number noted.

When comparing provider payments made to the supporting documentation, we noted four cases where files contained support for certain provider payments but no documentation could be found showing payments were made. The reasons for not paying the claims could not be determined.

We noted that individual provider files do not contain adequate information relating to provider payments. File reliability is reduced because program personnel may not be notified if payment is not made and the provider budgets may not be updated. Support for all provider payments should be maintained in the file. Reasons for nonpayment should be adequately documented in the file.

RECOMMENDATION

We recommend that the department:

1. Date-stamp all incoming correspondence from the alcoholism treatment providers.

2. Ensure that expenditure statements and supporting documentation are appropriately dated as paid.
3. Ensure that support for all provider payments and reasons for nonpayment are documented in the individual provider's file.

Provider Payment Delays

In our review of the payments made to selected providers, we noted that over 50 percent of the payments were delayed by more than 7 calendar days and 30 percent of the payments were delayed by more than 14 calendar days. We measured the time period for payment from the expenditure statement date to the date the transfer warrant claim left the Department of Institutions for processing by the Department of Administration. Management Services Division personnel informed us that the reimbursement process time at the Department of Institutions should take two to three working days after receiving the expenditure statement from the Alcohol and Drug Abuse Division.

The Department of Institutions' Alcohol and Drug Abuse Division receives alcohol tax moneys monthly from the Department of Revenue. Provider funding is primarily from the division and the county. Some providers rely heavily upon the division for payments from these alcohol tax moneys. Providers received county payments

quarterly. Because of program payment delays, providers may experience financial difficulties in providing services.

RECOMMENDATION

We recommend that the department review the provider payment process to expedite the payments to alcoholism treatment providers.

Cash Advances

ADAD advances moneys to the alcoholism treatment providers to finance the providers' operating expenses incurred at the inception of the contract year. The advance represents a percentage of the total contract. The division does not have a written policy regarding the percentage of contract allowable as a cash advance. For fiscal year 1977-78, a 20 percent advance of the contract amount was informally agreed upon between the division and the providers during contract negotiations. For contracts involving the four-month period beginning July 1, 1977, the cash advance represented 25 percent of the contract. Any cash advance paid in excess of these percentages was to be supported by a letter of justification from the provider.

The division does not require providers to close-out these advances at any particular time during the fiscal year. Although ADAD's procedure is to close

advances at the fiscal year-end, some providers did not submit their expenditure statements on time, causing contract balances to be accrued for the next fiscal year. We noted one provider closed out its advance by monthly installments. Some provider advances were carried into fiscal year 1978-79, while other advances were closed in May and June of 1978 or when contract reimbursements reached their maximum.

To justify and properly support all cash advances made to the alcoholism treatment providers, the department should maintain a written policy regarding the amount allowable as a cash advance, and require provider justification for the advance. The department should also establish a policy regarding close out of advances before fiscal year-end.

RECOMMENDATION

We recommend that the department:

1. Establish a written policy regarding the amount of allowable cash advances distributable to the providers.
2. Require that written justification for advances be submitted to the ADAD by all providers.
3. Establish a policy for closing out contract advances before fiscal year-end.

FINANCIAL STATEMENT

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122

MORRIS L. BRUSETT, C.P.A.
LEGISLATIVE AUDITOR

ELLEN FEAVER, C.P.A.
DEPUTY LEGISLATIVE AUDITOR

JOHN W. NORTHEY
STAFF LEGAL COUNSEL

The Legislative Audit Committee of
the Montana State Legislature:

We have examined the Statement of Expenditures by Object and Funding Source for the Alcohol and Drug Abuse Division of the Department of Institutions for the fiscal year ended June 30, 1978. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 5 to the financial statement, this statement was prepared to illustrate the amount and nature of expenditures by the division and does not include a balance sheet, statement of revenue, or a statement of changes in fund balances.

In our opinion, the Statements of Expenditures by Object and Funding Source presents fairly the expenditures of the Alcohol and Drug Abuse Division of the Department of Institutions and the sources of funding for those expenditures for the fiscal year ended June 30, 1978, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett, C.P.A.
Legislative Auditor

November 17, 1978

Department of Institutions
Alcohol and Drug Abuse Division
Statement of Expenditures by Object
and Funding Source

Fiscal Year Ended June 30, 1978

EXPENDITURES BY OBJECT		
PERSONAL SERVICES		
Salaries	$ 429,208	
Other Compensation	1,267	
Employee Benefits	59,785	
Total Personal Services		$ 490,260
OPERATING EXPENSES		
Contracted Services	136,927	
Supplies and Materials	20,205	
Communications	23,918	
Travel	79,415	
Rent	36,818	
Utilities	829	
Repair and Maintenance	590	
Other Expenses	6,989	
Total Operating Expenses		305,691
EQUIPMENT		12,113
CAPITAL OUTLAY		
Building		247
GRANTS		
From State Sources	1,021,436	
From Federal Sources	588,100	
Total Grants		1,609,536
TOTAL EXPENDITURES BY OBJECT		$2,417,847
SOURCES OF FUNDING		
General Fund		$ 109,176
Earmarked Revenue Fund		1,121,119
Federal and Private Revenue Fund		1,187,552
TOTAL EXPENDITURES BY FUNDING SOURCE		$2,417,847

DEPARTMENT OF INSTITUTIONS

ALCOHOL AND DRUG ABUSE DIVISION

Notes to the Statement of Expenditures
by Object and Funding Source
Fiscal Year Ended June 30, 1978

1. SPECIAL FINANCIAL REPORT

The accompanying financial statement does not include a balance sheet or statement of changes in fund balance; consequently, it is not in accordance with generally accepted accounting principles. Generally accepted accounting principles for governmental units also require that a statement of expenditures include a comparison of expenditures with appropriations. The statements of expenditures by object and funding source for the Alcohol and Drug Abuse Division does not include a comparison of expenditures with appropriations because appropriations for the Department of Institutions were made to the department as a whole and not separately to each division within the department.

The statement was prepared solely to illustrate the amount and nature of expenditures made by the Alcohol and Drug Abuse Division of the Department of Institutions. This statement includes expenditures reported by the division for both the state's alcoholism treatment program and the Southwestern Montana Drug Program. The body of this report addresses only the division's expenditures incurred for the administration of Montana's alcoholism treatment program. Complete

financial statements for the department are included in a separate report, Department of Institutions-Central Office, Report on Examination of Financial Statements, Fiscal Year Ended June 30, 1978.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preceding financial statement was prepared from the Statewide Budgeting and Accounting System (SBAS).

The state of Montana utilizes the modified accrual basis of accounting. Modified accrual is defined as "that method of accounting in which expenditures are recorded on the basis of valid obligations and revenues are recorded when received as cash." Full accrual accounting will be permitted if the need justifies the application.

3. RETIREMENT PLAN

The division's employees are covered by the Public Employees' Retirement System, a contributory plan under which the state contributes 5.95 percent of an employee's gross wages and the employee contributes 6 percent of his gross wages. The division incurred pension costs of approximately $25,538 during fiscal year 1977-78. The state's policy is to fund accrued pension costs.

4. VACATION AND SICK PAY

Liabilities incurred because of employees' unused vacation and sick pay are not recorded. The related

expenditures are recorded when paid. Permanent employees are allowed to accumulate and carry over into a new calendar year a maximum of two times their annual accumulation of vacation. Upon termination, qualifying permanent employees having unused accumulated vacation and sick leave receive payment for vacation on a 100 percent basis and sick leave on a 25 percent basis. The amount of the liability associated with unused, accumulated vacation and sick leave at June 30, 1978 is maintained on an hourly basis rather than by dollar amount. The monetary liability is not calculated until an employee terminates.

5. GENERAL FIXED ASSETS AND DEPRECIATION EXPENSES

General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase. There are no accounting controls for the general fixed assets group of accounts, and depreciation is not provided on general fixed assets.

APPENDIX A

Funding of Alcohol Programs in the State of Montana
Based on Fiscal Year 1977-78 Budgets
(unaudited)

	Federal	State	County	City/Town	Private	Other	Total Funds
Region I							
Baker							
Tri-County Alcohol Program	--------	$ 7,854	$ 7,478	----	----	-------	$ 15,332
Forsyth							
Regional Prevention/Education Coordinator	--------	27,000	--------	----	----	-------	27,000
Rosebud County Alcohol Program	--------	5,107	11,040	----	----	-------	16,147
Glasgow							
Frances Mahon Deaconness Hospital/Big Sky Treatment Facility	--------	266,971	--------	----	----	$30,100	297,071
High Plains Council For District I	--------	41,453	50,065	----	----	-------	91,518
Lame Deer							
Northern Cheyenne Reservation Alcohol Program	$104,431	--------	--------	----	----	-------	104,431
Miles City							
Custer County Alcohol Program	--------	1,599	19,386	----	----	-------	20,985
Pine Hills School for Boys	--------	18,506	--------	----	----	-------	18,506
Plentywood							
District II Alcohol Program	--------	37,404	33,143	----	----	-------	70,547
Regional Addictive Diseases Resource Development Specialist	--------	39,885	--------	----	----	-------	39,885
Poplar							
Fort Peck Tribal Alcoholism Program	141,018	--------	--------	----	----	196	141,214
Total Funding to Region I	$245,449	$445,779	$121,112	$-0-	$-0-	$30,296	$842,636

Region II[1]							
Box Elder							
Rocky Boy Tribal Alcoholism Program	$ 71,959	--------	--------	------	----	-------	$ 71,959
Browning							
Blackfeet Native American Program	26,604	--------	--------	------	----	-------	26,604
Medicine Pine Lodge	103,370	$ 27,570	$ 7,000	------	----	$19,939	157,879
Great Falls							
Providence Alcoholism Center	5,221	43,505	235,645	------	----	29,179	313,550
Harlem							
Fort Belknap Tribal Alcohol Program	90,764	13,095	--------	------	----	-------	103,859
Havre							
Hill Mental Health Center	13,358	7,766	1,864	------	----	6,834	29,822
Hilltop Recovery Center	29,504	109,529	63,952	$4,000	----	22,724	229,709
Total Funding to Region II	$340,780	$201,465	$308,461	$4,000	$-0-	$78,676	$933,382

[1] Operational after June 30, 1978; Region II received a new program, the Cascade County Alcohol Program.

Region III	Federal	State	County	City/Town	Private	Other	Total Funds
Billings							
Billings Deaconess Hospital Alcohol Receiving Center	--------	--------	--------	-------	$84,086	--------	$84,086
Day by Day Halfway House	--------	--------	--------	-------	6,700	--------	6,700
Eastern Montana College	$ 2,400	--------	--------	-------	-------	--------	2,400
Lampson	--------	--------	--------	-------	*	--------	*
Rimrock Guidance Foundation	29,011	$219,575	$114,911	$12,197	-------	$143,929	519,623
Big Timber[2] --Sweetgrass Foundation							
Columbus --Stillwater Foundation							
Harlowton[2] --Wheatland Family Services							
Red Lodge[2] --Carbon County Community Services							
Roundup[3] --Musselshell Foundation							
Rygate[3] --Golden Valley Foundation							
Southcentral Montana Mental Health Center	--------	--------	26,038	-------	-------	--------	26,038
Hardin --Big Horn County Alcohol Program	--------	14,441	5,704	-------	-------	240	20,385
Crow Detox Center, Crow Agency	131,632	3,360	--------	-------	-------	--------	134,992
Lewistown Alcohol and Drug Service of Central Montana	--------	19,551	20,170	-------	-------	720	40,441
Total Funding to Region III	$163,043	$256,927	$166,823	$12,197	$90,786	$144,889	$834,665

Region IV							
Anaconda Deer Lodge County Alcohol Program	$ 3,840	$ 15,784	$ 20,049	----	--	--------	$ 39,673
Butte Butte Halfway House	--------	----------	--------	----	*	--------	*
Butte Indian Alcohol Program	48,174	3,000	--------	----	--	--------	51,174
Care Unit, Silver Bow General Hospital	62,944	----------	46,271	----	--	$391,433	500,648
Silver Bow Community Alcoholism Services	--------	----------	9,922	----	--	--------	9,922
Deer Lodge Galen State Hospital, A, T, & R	30,000	1,027,494	--------	----	--	--------	1,057,494
Montana State Prison Chemical Dependency Program	--------	13,178	--------	----	--	--------	13,178
Powell County Alcoholism Center	--------	19,936	11,527	----	--	100	31,563
Helena Lewis & Clark Alcoholism Program	24,839	24,966	10,000	----	--	4,896	64,701
Southwestern Montana Alcoholism Services	81,968	48,185	170,105	----	--	3,000	303,258
Livingston Park County Alcoholism Services	--------	14,032	21,705	----	--	1,173	36,910
Total Funding to Region IV	$251,765	$1,166,575	$289,579	$-0-	$*	$400,602	$2,108,521

[2] Satellite programs which became separate programs after June 30, 1978.
[3] These satellite programs became satellites of Wheatland Family Services.
* Funding information not available.
--Satellite programs.

Region V	Federal	State	County	City/Town	Private	Other	Total Funds
Kalispell							
Flathead Valley Chemical Dependency Services	$ 76,048	$ 41,889	$ 82,982	----	------	$23,816	$224,735
Libby							
Alcohol Service Center of Lincoln County	9,725	53,031	16,412	$400	------	7,222	86,790
Missoula							
Alcohol Action of Missoula	45,268	33,096	98,465	----	------	2,900	179,729
Hamilton[2]							
--Ravalli County Satellite							
Superior							
--Mineral County Satellite							
Missoula Alcohol Abuse Counseling	--------	--------	--------	----	-0-	-------	-0-
Missoula General Hospital	4,130	--------	41,980	----	------	-------	46,110
Missoula Indian Alcohol and Drug Program	67,500	22,666	--------	----	------	-------	90,166
Women's Shelter YWCA	--------	--------	--------	----	$2,052	-------	2,052
Ronan							
Flathead Reservation Area Comprehensive Alcoholism Program	265,699	8,570	22,752	----	------	7,500	304,521
Swan Lake							
Swan River Youth Forest Camp	--------	18,506	--------	----	------	-------	18,506
Thompson Falls							
Sanders County Chemical Dependency Program	1,994	14,878	8,398	----	------	-------	25,270
Total Funding to Region V	$470,364	$192,636	$270,989	$400	$2,052	$41,438	$977,879

--Satellite programs.

[2] Satellite programs which became separate programs after June 30, 1978.

AGENCY REPLIES

State of Montana

Department of Institutions

Helena, 59601

January 18, 1979

Legislative Audit Committee
of the Montana State Legislature
Office of the Legislative Auditor
State Capitol
Helena, Montana 59601

Gentlemen:

We have reviewed the audit report prepared by the Legislative Auditor, for the Alcohol and Drug Abuse Division of the Department of Institutions.

The report provides a very welcome service and is sincerely appreciated.

Our response to recommendations is attached.

Sincerely,

Lawrence M. Zanto
Director

LMZ:jb

Enclosure

RECOMMENDATION

We recommend that the department make the statewide goals and objectives for alcoholism and alcohol abuse treatment available to provider programs prior to providers' submission of grant applications.

Response:

Disagree. To ensure compliance with planning guidelines established by NIDA and NIAAA, the annual state plan is developed utilizing the Federal fiscal year (October 1 - September 30). The funding cycle for alcohol service providers is based upon the state fiscal year (July 1 - June 30). Due to the differences in state and federal fiscal years, it is not feasible to have finalized statewide treatment goals and objectives completed prior to providers' submission of grant applications. However, as was done in FY78-79, regional priorities identified during the regional planning process will be acted upon by the Montana Advisory Council on Alcohol and Drug Dependency to determine statewide funding priorities prior to solicitation of grant applications from service providers. Both statewide and regional priorities will be made available to all service providers along with regional plans before initiation of the funding cycle.

Statewide goals and objectives for the ensuing year will then be developed based upon regional priorities.

RECOMMENDATION

We recommend that the department analyze the state plan to determine if more specific short-term goals and objectives and long-range goals and objectives are needed.

Response:

Agree. The department will analyze its planning process to determine if more specific short-term and long-range goals and objectives are needed during the FY79-80 planning process.

It should be noted, however, that the department is required by Federal law to submit annual alcohol and drug plans and the Health Systems Agency (HSA) is charged with the development of long-range alcohol and drug plans. The ADAD coordinates its long-range planning process with the HSA to ensure consistency with their long-range plan. With the state legislature enacting new laws pertaining to alcohol and drugs every two years, long-range plans developed by the department have been limited to two years.

RECOMMENDATION

We recommend that the department seek authority to establish standards to prevent duplication of services by service area.

Response:

Agree. The department agrees with this recommendation. We do, however, feel the problem as documented in the audit is a legislative problem. With funding for alcohol treatment available from either county or state government, the department "does not have complete authority in administering the statewide alcoholism treatment program."* The Department of Institutions will continue to discourage duplication of services through control of funding available at the state level. The department would like the legislature to clarify this problem and will ask the subcommittee on instiutions appropriations to review this problem.

RECOMMENDATION

We recommend that the department discontinue granting provisional approval status to programs not meeting the full approval requirements of the state or seek clarification of the authority for granting provisional approval of programs.

Response:

Agree. The department agrees with this recommendation. We will discontinue the use of provisional approval for programs. In an effort to continue minimum services statewide those programs not meeting minimum standards for approval will receive a limited approval not to exceed 90 days to correct deficiencies. Normally programs are approved for a 12 month period.

RECOMMENDATION

We recommend that the department:

1. Complete a statewide needs assessment prior to allocation of funds.

2. Establish specific funding criteria and communicate those criteria to providers.

Response:

1. Disagree. As indicated in the audit report on page 36, needs assessments were not completed prior to funding allocation in FY77-78. However, as was documented and pointed out to the legislative auditors, statewide needs assessments were completed, acted upon by the Montana State Advisory Council on Alcohol and Drug Dependency and made available to providers prior to allocation of funds in FY78-79. We do not concur with this recommendation since it had already been corrected in FY-78-79.

*"Report on Audit," December 1978, Office of Legislative Auditor, p. 33.

2. Agree. The department will establish specific funding criteria based on regional needs assessments and established effectiveness indicators for each alcoholism treatment service prior to the bidder's conference to be held in Helena in March 1979. At the bidder's conference, the written criteria will be included with the grant application kit and become part of the overall package given out to alcohol treatment programs.

RECOMMENDATION

We recommend that the department formulate effectiveness indicators to measure cost and effectiveness of different types of treatment.

Response:

Agree. The department has already developed new financial reporting forms which will enable us to determine cost effectiveness of different treatment programs. These forms will be implemented in March 1979.

Treatment effectiveness measures will continue to be studied and reviewed by the department in 1979-80. Basic treatment effectiveness indicators based on 78-79 data will be established by March 1, 1979 and communicated to all programs at a "bidder's conference" scheduled in March 1979 prior to grant application submission.

Presently, the department's alcohol and drug abuse division has limited staff to continually monitor program performance relating to compliance or non-compliance of effectiveness indicators.

RECOMMENDATION

We recommend that the department:

1. Enforce provider contract provisions which require the forwarding of program data within ten working days after the end of the reporting period.

2. Evaluate other reasons for delayed reporting of AIS information and reduce the turn around time for issuance of reports.

Response:

1. Agree. The department will send registered letters to all approved programs prior to January 31, 1979. The content of this letter will include section 2 of the agreement between the department and the provider and number 5 of the assurances in the original grant application. Also included will be the following statement: "Failure to submit required reports in a timely manner will be cause for suspension of funding and/or loss of approved status." However, it is our intent to change section 2 of the agreement from 10 working days to the 15th of the following month to ensure that providers have adequate time to submit reports.

2. Agree. The department does recognize the problems in delayed reporting and high turn-around time of data reports.

   A. Delayed reporting - Along with the corrections mentioned above in item 1, by March 1, 1978 the department's alcohol and drug abuse division will evaluate other reasons for delayed AIS reporting and develop policies and procedures to ensure timely and accurate reporting.

   B. Reduce turn-around time - As mentioned in the audit report the major reasons for the high turn-around time of the AIS data reports is due to the manual and automated editing process. In January 1979 the ADAD will contact the Department of Administration, Data Processing Division, for formal re-evaluation of the existing AIS system. This evaluation will address reduction of turn-around time for AIS reports.

   The following options will be considered:

   A. Expand present automated system edit to eliminate manual edit. This option would re-program edit procedures and would be costly to develop.

   B. Expand or increase manpower working on the manual edit. This would require the hiring of an additional clerical person to assist in the manual edit phase.

   C. Reduce present AIS system - Any reduction of the present system data elements would increase the difficulty for ADAD to comply with its monitoring and evaluation responsibilities and would create problems in developing program effectiveness indicators.

RECOMMENDATION

We recommend the department:

1. Ensure that all providers comply with the division's reporting requirements.

2. Monitor implementation of consistent admission criteria for the individual alcohol treatment programs.

Response:

1. Agree. The department will continue to ensure that providers comply with reporting requirements by:

   A. Signed assurances in grant applications and contracts.

   B. Approval requirements and on-site evaluations.

C. ADAD monthly edit procedures for reporting.

D. On-going training sessions to provider personnel.

In addition to the already established procedures as noted above, the division will ensure that immediate action will be taken to remove approval status from any provider who fails to comply with reporting procedures.

2. Disagree. The department has developed consistent admission criteria. This criteria is explained in the AIS manuals which are distributed to all programs. The division monitors these criteria in the following manner:

   A. Monthly manual editing and processing of data including constant telephone contact with programs.

   B. Automated computer edits which reject errors in reporting of admissions.

   C. On-site evaluations.

The department would like to address the AIS reporting problems pointed out on page 45. However, a discussion of the history and development of the AIS system would help readers better understand the department's disagrements with these problems.

The AIS reporting system was developed by a federal grant in FY76-77 and was implemented in all alcohol programs in September 1977. The ADAD realized that to implement a system of this size, start-up problems would be encountered for at least the first four months (September-December 1977). Also, with the implementation of HB627 in July 1977, the number of new programs increased rapidly during this start-up phase. This created not only an increase in the number of AIS forms to be edited but also the number of provider personnel to be trained.

The data presented in the legislative audit report represents 10 months of data, September 1977 through June 1978. This included the start-up phase data when numerous problems were expected and encountered.

The following are department responses to the reporting problems detailed on page 45:

— AIS reports listed clients coded for specific services not provided by the treatment program. For the 18 programs visited, 84 of the 4,878 clients were coded in error.

During the start-up phase of the AIS, we encountered many coding problems and tried to resolve as many as possible. However, 84 out of 4,878 represents a 1.7% error factor which we feel is a very low error rate considering it included the start-up phase.

— AIS computer information and manually compiled summary reports conflicted for the number of admissions and discharges for all 18 programs. The total number of admissions recorded by the computer was 5,406, while the summary reports reported 3,939 admissions. Discharges for the computer and manual system were listed as 4,611 and 4,070 respectively.

Comparison of admission/discharge information recorded on the monthly summary reports (MSR's) cannot be considered a reliable check as late admission/discharge reports are not reflected on the MSR's. Therefore, admission/discharge information shown on the MSR's and the computer files will never totally agree.

The primary reason for the large discrepancy between MSR admission/discharge and computer admission/discharge reported in the legislative audit report, is that their data included the AIS start-up phase (September 1977 - December 1977). During the initial implementation of the AIS, the ADAD encountered many problems with providers not being able to accurately fill out the MSR; however, these reporting problems have since been resolved. The ADAD ran the same check used by the auditors but excluded data gathered during the start-up phase. From January - September 1978 we documented 6,493 MSR admissions compared with 6,533 computer file admissions for all state programs. This test resulted in a discrepancy of only 40 admissions (0.6% error). Comparison of discharges for the same period of time showed 5,748 MSR discharges compared to 5,686 computer discharges (a difference of only 62 or 1.0%)

The ADAD utilizes the computer admission/discharge information in all data analysis because late admissions and discharges are updated monthly on the computer files. The monthly summary report is used to collect monthly caseloads, follow-up contacts, prevention/education information, staff hours and to document only the number of admission and discharge forms submitted by providers each month.

Validity of admission/discharge data submitted to the ADAD is verified during on-site program evaluations.

— Fifteen of the 297 client files examined indicated clients were being readmitted to the same program for further treatment, but were recorded as first admissions. These 15 exceptions were noted in 5 of the 18 programs.

Implementation and edit procedures of the AIS system required programs to show readmission only for clients that had been previously reported on the AIS system. Any client who had treatment prior to September 1977 would have been placed on the system as a first admission and coded as a readmission thereafter. Although a form in a client file may have shown a first admission, this could have been corrected during the edit process at the state level and the form not changed at the program level. The computer will not accept a readmission on a client number unless there is a prior first admission. Further, 15 out of 297 represents a 5% error factor which we feel is a very low rate considering it includes the start-up phase data.

— Two programs serving 88 clients for fiscal year 1977-78 did not report on AIS, but reported on another system for drug programs. This data is not comparable with AIS data.

The two programs referred to in this write-up are alcohol and drug counselors located at correctional institutions. These programs receive federal funds from the National Insitute on Drug Abuse (NIDA). Because they receive NIDA funds they are required to report on the drug reporting system. It was the decision of the ADAD not to require these programs to also report on the AIS system as this would have created a heavy reporting burden on these programs.

Although this data is not totally comparable with AIS data, a majority of the information gathered on the drug system can be manually compared to the AIS data (i.e., number of admissions, readmissions, sex, age, race, employment, marital status, discharge, reason for discharge and monthly case load). The ADAD will not burden these programs by requiring them to report on two separate reporting systems. Further, these are unique programs providing alcohol and drug counseling to inmates of state correctional institutions. Comparing these unique programs with other public treatment programs would serve no monitoring or evaluative purpose because the services are delivered in a totally different environment. Correctional programs are and should be compared only with each other.

— Two inpatient program providers did not compile and submit required staff activity reports for parts of fiscal year 1977-78.

Two inpatient providers referred to in this write-up because of their size and number of staff did have initial problems in reporting staff hours and activity to the ADAD in part of fiscal year 1977-78. However, this problem was corrected in fiscal year 1978-79 and these programs are submitting the activity reports as required. Because this write-up was corrected in fiscal year 1978-79, no further response is necessary.

In summary, the ADAD realized that there were reporting problems in fiscal year 1977-78 due to initial implementation of the AIS system. The majority of the reporting problems identified in this audit have been corrected or are considered by the ADAD to be minimal. The ADAD will continue to monitor its admission criteria utilized by individual programs to ensure consistency and accuracy.

RECOMMENDATION

We recommend that the department ensure compliance with federal and state statutes for client file security and content.

Response:

Disagree. With the existing manpower and funds the department does all it can to ensure compliance with federal and state statutes for client file

security and content during on-site evaluations.

A. File content - During on-site evaluations, file content is always checked at programs by ADAD evaluators. Programs with deficiencies in file content are listed as unacceptable in this category on the ADAD evaluation report. Due to lack of evaluators, follow-up on unacceptable items can only be done by correspondence. Programs must address the correction of all unacceptable items in writing to ADAD within 90 cays of an inspection. On-site follow-up evaluation would improve compliance by providers but current staffing levels at the ADAD do not permit on-site follow-up evaluations (1.3 staff to evaluate 44 programs annually).

B. File security - This is always checked during on-site reviews. The two providers referred to in this audit were complying with the federal and state security standards:

   1. Program kept files in a locked desk instead of a locked file cabinet;
   2. Program has a cross reference Rol-O-Dex that contains client information. This device is locked in a file cabinet after working hours.

   Both of these programs will be notified in writing to review their file security procedures and if possible strengthen controls prior to February 1, 1979.

RECOMMENDATION

We recommend that the department:

1. Enforce provisions for collection of client fees for programs providing intermediate treatment.

2. Consider requiring collection of client fees based on ability to pay for other treatment services provided.

Response:

1. Agree. We will ensure that all intermediate care programs receive a copy of section 20-2.26 S310 (10)(b) of the Administrative Rules of Monatna by January 1, 1979. We will also include this rule in the grant application kit, in agreements with intermediate care providers and in the program evaluation reviews which will ensure that all intermediate care facilities have a policy for collection of client fees. We will also monitor collection of client fees by March 1, 1979 when our new program expenditure and revenue reports are implemented.

2. Agree. We will consider by July 30, 1979 requiring collection of client fees based on ability to pay for other treatment service providers by analyzing the success of programs who have developed and implemented sliding fee schedules.

RECOMMENDATION

We recommend that the department evaluate its communication system and establish effective communication with alcoholism treatment providers.

Response:

Partial Agreement. The department does not agree with the findings that significant communications problems with providers exists; however, we will evaluate our current communications system and correct any weaknesses identified. We will also take steps to develop a documented and more structured system for communication with alcoholism treatment providers by January 31, 1979.

RECOMMENDATION

We recommend that the department:

1. Comply with the records retention schedule established in the Montana Operations Manual.

2. Obtain approval from the State Records Committee before disposing of records.

Response:

1. Agree.

2. Agree.

RECOMMENDATION

We recommend that the department:

1. Reorganize personnel files and ensure that personnel files are complete.

2. Consider requiring that employees sign all payroll status forms for changes in rates of pay and payroll deductions.

Response:

1. Disagree. The department maintains, in conjunction with the personnel files, a complete and up to date payroll file. The personnel files do not need to be reorganized, they need to be updated with the information contained within the payroll files.

2. Will consider. Being that the department has not had any errors due to misunderstanding regarding employee pay rate changes and payroll deductions the department will continue with its past practices.

RECOMMENDATION

We recommend that the department:

1. Review transfer warrant claims for coding to appropriate appropriations, year, expenditure identification code and program.

2. Ensure that document numbers are logged immediately to avoid duplicate document numbers.

Response:

1. Partial Agreement. the legislative auditor is correct in stating that two claims were charted to an incorrect appropriation, one claim was coded to the wrong expenditure I.D. and a claim was coded in error to the ADAD program. The department does not agree that a claim for $10,007 should have been recorded as a prior year expenditure. The facts are there were twc transfer warrant claims (#310008, 310014), both claims were paid from a continuing appropriation and as such are legitimate expenditures to current year expenditures (nominal control account 5201 budgeted expenditures).

2. Agree.

RECOMMENDATION

We recommend that the department accrue all alcohol and drug contracts expenditures at fiscal year-end.

Response:

Agree. In fiscal year 1978 the department made every effort to accrue all known expenditures and followed the Mcntana Operations Manual on expenditures required after fiscal year closing.

RECOMMENDATION

We recommend the department comply with the Administrative Rules of Montana in requiring miscellaneous travel expenses of $10 or more to be supported with reciepts.

Response:

Agree. The department will closely monitor miscellaneous travel expenditures.

RECOMMENDATION

We recommend that the department:

1. Establish an alcoholism treatment provider file sign-out system for use by department personnel.

2. Require alcoholism treatment program personnel to notify the Department of Institutions when a name or address change occurs in the program.

3. Establish a file indexing system for individual alcoholism treatment provider files that includes a cross-reference listing of all provider name changes.

Response:

1. Agree. A provider file sign-out system will be implemented by February 1, 1979.

2. Agree. All treatment programs will be required to notify the department of a name change. This provision will be placed in the FY79-80 contract provisions plus a letter will be sent to each program informing them of the need to notify the department of any name change.

3. Agree. Once item 2 is corrected, this recommendation will be implemented.

RECOMMENDATION

We recommend that the department:

1. Date-stamp all incoming correspondence from the alcoholism treatment providers.

2. Ensure that expenditure statements and supporting documentation are appropriately dated as paid.

3. Ensure that support for all provider payments and reasons for nonpayment are documented in the individual provider's file.

Response:

1. Agree.

2. Agree.

3. Agree.

RECOMMENDATION

We recommend that the department review the provider payment process to expedite the payments to alcoholism treatment providers.

Response:

Agree.

RECOMMENDATION

We recommend that the department:

1. Establish a written policy regarding the amount of allowable cash advances distributable to the providers.

2. Require that written justification for advances be submitted to the ADAD by all providers.

3. Establish a policy for closing out contract advances before fiscal year end.

Response:

1. Agree. The department will establish a written policy regarding the amount of allowable cash advance distributed to the providers by May 31, 1979.

2. Agree. As part of written policy regarding advances this will be established by May 31, 1979. A section will address written justification required for any advances given to alcohol providers.

3. Agree. The ADAD will work with the Management Services Division to develop a section which will be included in our cash advance policy by May 31, 1979. This section will address the closing out of contract advances before fiscal year end. The policy will be stringent enough so that providers will only be able to use the advance for the purpose intended in their request yet liberal enough to ensure that providers do not develop cash flow problems because of it.

DCA MONTANA DEPARTMENT OF COMMUNITY AFFAIRS
Capitol Station, Helena, Montana 59601
Thomas L. Judge
Governor

January 16, 1979

Mr. Morris L. Brusett
Legislative Auditor
State Capitol
Room 135
Helena, Montana 59601

RE: Your letter of January 11, 1979

Dear Mr. Brusett:

The following is our response to that portion of your final audit report of the Department of Institution's Alcohol and Drug Abuse Division which deals with the Department of Community Affairs.

PAGE 21 - RECOMMENDATION
We recommend that the Department of Community Affairs report to appropriate local government officials noncompliance with the provisions of section 4-1-401, R.C.M., 1947, that require the counties to distribute six-sevenths of liquor tax money for alcoholism treatment programs.

RESPONSE TO RECOMMENDATION
We concur with the recommendation, and we will report to appropriate local government officials noncompliance with the provisions of section 4-1-401, R.C.M., 1947, that require the counties to distribute six-sevenths of liquor tax money for alcoholism treatment programs.

PAGE 24 - RECOMMENDATION
We recommend that the Department of Community Affairs:

(1) Report to appropriate local government officials non-compliance with section 4-1-401, R.C.M., 1947, that requires the counties to distribute six-sevenths of the liquor tax moneys to a separate alcohol fund for the treatment, prevention, and rehabilitation of alcoholism as approved by the state.

PAGE 24 - RECOMMENDATION - cont.

(2) Report to appropriate local government officials unencumbered liquor tax moneys specified for alcoholism treatment that are not returned to the state general fund as provided for by section 80-2725(6), R.C.M., 1947.

RESPONSE TO RECOMMENDATION
We concur with the recommendation, and we will:

(1) Report to appropriate local government officials non-compliance with section 4-1-401, R.C.M., 1947, that requires the counties to distribute six-sevenths of the liquor tax moneys to a separate alcohol fund for the treatment, prevention, and rehabilitation of alcoholism as approved by the state.

(2) Report to appropriate local government officials unencumbered liquor tax moneys specified for alcoholism treatment that are not returned to the state general fund as provided for by section 80-2725 (6), R.C.M., 1947.

Thank you for giving us an opportunity to respond to your recommendations.

Very truly yours,

Harold A. Fryslie, Director
Department of Community Affairs

Enclosure

STATE OF MONTANA

DEPARTMENT OF REVENUE
MITCHELL BUILDING
HELENA, MONTANA 59601

January 15, 1979

Morris Brusett
Legislative Auditor
Capitol Building
Helena, Montana 59601

Dear Morris:

One recommendation in your report on the audit of the Department of Institutions, Alcohol and Drug Abuse Division relates to our agency. The recommendation is restated below and our response follows:

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OF REVENUE AGAIN INFORM COUNTIES OF THE PROVISIONS OF SECTION 4-1-401, R.C.M. 1947, THAT REQUIRE COUNTIES TO EQUALLY DIVIDE THE LIQUOR TAX MONEY BETWEEN THE COUNTY AND ITS INCORPORATED CITIES/TOWNS.

The Department of Revenue distributes the liquor license taxes to counties on a quarterly basis and currently includes with each warrant drawn to a county a computerized statement which lists the city or town shares of revenue as well as the county revenue share and also gives the 6/7 and 1/7 breakdown of the county revenue share. We will send a letter citing appropriate codes to each county restating their requirements to distribute the taxes. In addition, we will include at the bottom of the quarterly statement which accompanies the distribution, a narrative explanation of the legal requirements to so disburse the amount of the warrant with references to appropriate code sections.

We trust these additional actions taken will result in full compliance with the Section 4-1-401, R.C.M. 1947 by the counties.

Sincerely,

Laury M. Lewis

Laury M. Lewis
Acting Director